

City of Garland, Texas

Comprehensive Annual Financial Report

for the fiscal year ended September 30, 2017



GARLAND
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CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2017

CITY COUNCIL

Douglas Athas, Mayor
David Gibbons, Mayor Pro Tem, District 1
Anita Goebel, District 2
Jerry Nickerson, District 3
B. J. Williams, District 4
Rich Aubin, District 5
Robert Vera, District 6
Scott LeMay, District 7
Robert John Smith, District 8

CITY MANAGER

Bryan Bradford

DIRECTOR OF FINANCIAL SERVICES

Matt Watson

Prepared by

Financial Services Department

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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March 14, 2018

Citizens of the City of Garland
Garland, Texas

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the City of Garland, Texas (the City), for the year ended September 30, 2017 is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Governmental Accounting Standards Board requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately after the independent auditors' report.

GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located in Dallas County, approximately 15 miles northeast of downtown Dallas. The City's population of 236,786 (as estimated by the City's Planning Department as of January 1, 2017) makes it the twelfth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's home rule Charter. The City was incorporated in 1891 and first adopted its Home

Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Council members. The City Manager is the chief administrative officer for the City.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Garland as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; electric, water, and wastewater utility services; golf course facilities; storm water facilities, and sanitation collection services.

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Garland Housing Finance Corporation, the Garland Economic Development Authority, and the Garland Health Facilities Development Corporation are not included in the primary government. In accordance with GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34", the City determined that the Garland Health Facilities Development Corporation and the Garland Economic Development Authority, which were discretely presented as component units in the City's financial statements in prior years, are no longer necessary to be reported within the City's financial statements and have been excluded from the City's FY2017 Comprehensive Annual Financial Report. The Garland Independent School District is excluded from this report because it is a separate governmental entity with a separately elected board of trustees.

The Garland Foundation for Development (GFFD) was organized to promote economic development and other activities within the Garland Community. The City Council serves as the board members for GFFD and the City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major enterprise golf fund.

ECONOMIC CONDITIONS AND OUTLOOK

During the 2017 fiscal year, the City experienced significant improvements in the local economy and a corresponding increase in General Fund revenues. The assessed value of Garland's property tax base increased 9.7% from last year's valuation, and included \$207 million in new construction. This is the highest amount of new construction on record and is more than the previous two years combined. Sales tax revenue is projected to increase 5.8% and represents the seventh consecutive year of growth. Other revenues such as building permits, franchise fees, and landfill fees have also shown respectable growth. With the continued strength in the local economy and revenue growth, the focus is to begin addressing items that were deferred during the recession and are negatively impacting core City services and quality of life in the Garland community. Additional priorities included Public Safety staffing

needs, further enhancement of funding for street and alley repairs, and taking initial steps to resolve the City's unfunded liability related to Other Postemployment Benefits (OPEB).

To address the 2018 economic forecast, the City implemented the following goals for the 2017-18 adopted budget:

- Address Public Safety staffing needs.
- Further enhance the City's street infrastructure.
- Address needs in core service areas.
- Implement funding strategy to maintain retiree health insurance.
- Maintain employee compensation at market levels.

FINANCIAL INFORMATION

Accounting and Budgetary Controls

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

Budgetary control is maintained at the fund level, and encumbrances are entered at the time a purchase order is issued. Outstanding encumbrance's lapse at fiscal year-end and the subsequent year's budget is amended to reflect these outstanding encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's revenue managers and the Budget Director. Expenditure budgets are then developed using a *target budgeting* approach. Departments base their initial budget submission on their allocated share of the projected resources, but they can make requests for additional items which the City Manager or City Council may choose to fund. This target budget methodology results in a balanced budget presented to Council. The Proposed Budget is reviewed extensively by the City Council, and the process includes a Charter-mandated public hearing and work sessions that are open to the public. The City Charter requires adoption of the City budget by no later than September 20. Activities of the general, debt service, special revenue, and internal service funds are included in the annual appropriated budget.

While the budget is developed and controlled at the departmental level, appropriations are set at the fund level. An ordinance establishes the budget for operating expenses, debt services payments, and interfund transfers, while a separate ordinance establishes the property tax rate.

Changes to approved expenditures are incorporated into the current year budget throughout the year in the form of budget amendments approved by Council. These amendments, as well as updated revenues and other revised expenses, become part of the Revised Budget that is presented to Council concurrent with the Proposed Budget.

During the course of the fiscal year, each department director monitors expenditure controls with overall review exercised by the Budget Director and the City Manager. Monthly expenditure reports are distributed based on the automated accounting system that provide year-to-date expenditure totals for each line item compared to the amount expended at that point in time in the prior year.

Constant review and oversight of revenue and expenditure trends is maintained with specific responsibility assigned to department directors, revenue managers, and the Budget Director. Recommendations for corrective action are made to the City Manager (and to the City Council, if appropriate) as needed to ensure the integrity of the Adopted Budget.

Management of the City is responsible for establishing and maintaining an internal control system designed to ensure that the City's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial awards, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these programs. Internal controls are subject to periodic evaluation by management, the City's Internal Audit Department, and independent auditors.

As part of the City's single audit, the independent auditors make tests to determine the adequacy of the internal controls, including that portion related to Federal financial awards programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the single audit are published in a separate report to management.

Long-Term Financial Planning

In order to remain financially strong and provide a framework for prudent financial management, the following financial controls are maintained annually:

- A multi-year financial forecast is prepared projecting revenues and expenditures for all major operating funds.
- A multi-year debt service forecast is prepared to project the impact of future debt service payments on the tax rate.
- Rates, fees and charges for services are reviewed and adjusted as necessary to respond to changing financial circumstances.
- Insurance coverages are examined to ensure that policy limits are adequate and in compliance with revenue bond covenants.
- Debt is not used to fund current expenditures.
- Bonds are sold to finance long-term capital projects.
- Total tax-supported debt is maintained so as not to exceed five percent (5%) of the total assessed valuation of taxable property.
- An ending “fund balance” of 30 days of budget-based operating expenditures in the General Fund is maintained as a minimum.
- An ending “fund balance” of 45 days of budget-based operating expenditures is maintained in the Enterprise Funds as a minimum.
- Internal service funds are maintained to be fully self-supporting to the extent that any retained earnings deficit is recovered in the subsequent fiscal year through increased charges to benefiting departments.

OTHER INFORMATION

Independent Audit

According to Article IV, Section 7, of the City Charter, an annual audit to be performed by independent, certified public accountants, is required to be made of the financial records of the City. Weaver and Tidwell, LLP was selected in July 2014 by the City Council to perform the annual audits. In addition to meeting the requirements set forth in the Charter, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related Uniform Guidance. The independent auditor’s report on the basic financial statements is included in the financial section of this report. The independent auditor’s report related specifically to the single audit will be issued in a separate document.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garland for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2016. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a one year period. The City of Garland has received a Certificate of Achievement for the last thirty five consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report was accomplished with the professional and dedicated efforts of the staff of the Financial Services Department. Appreciation is also extended to those individuals in other departments who contributed, directly or indirectly, to the development of this report.

In closing, we also want to thank the Mayor and the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

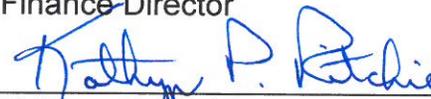
Respectfully submitted,



Bryan L. Bradford
City Manager



Matt Watson
Finance Director



Kathryn P. Ritchie
Accounting Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

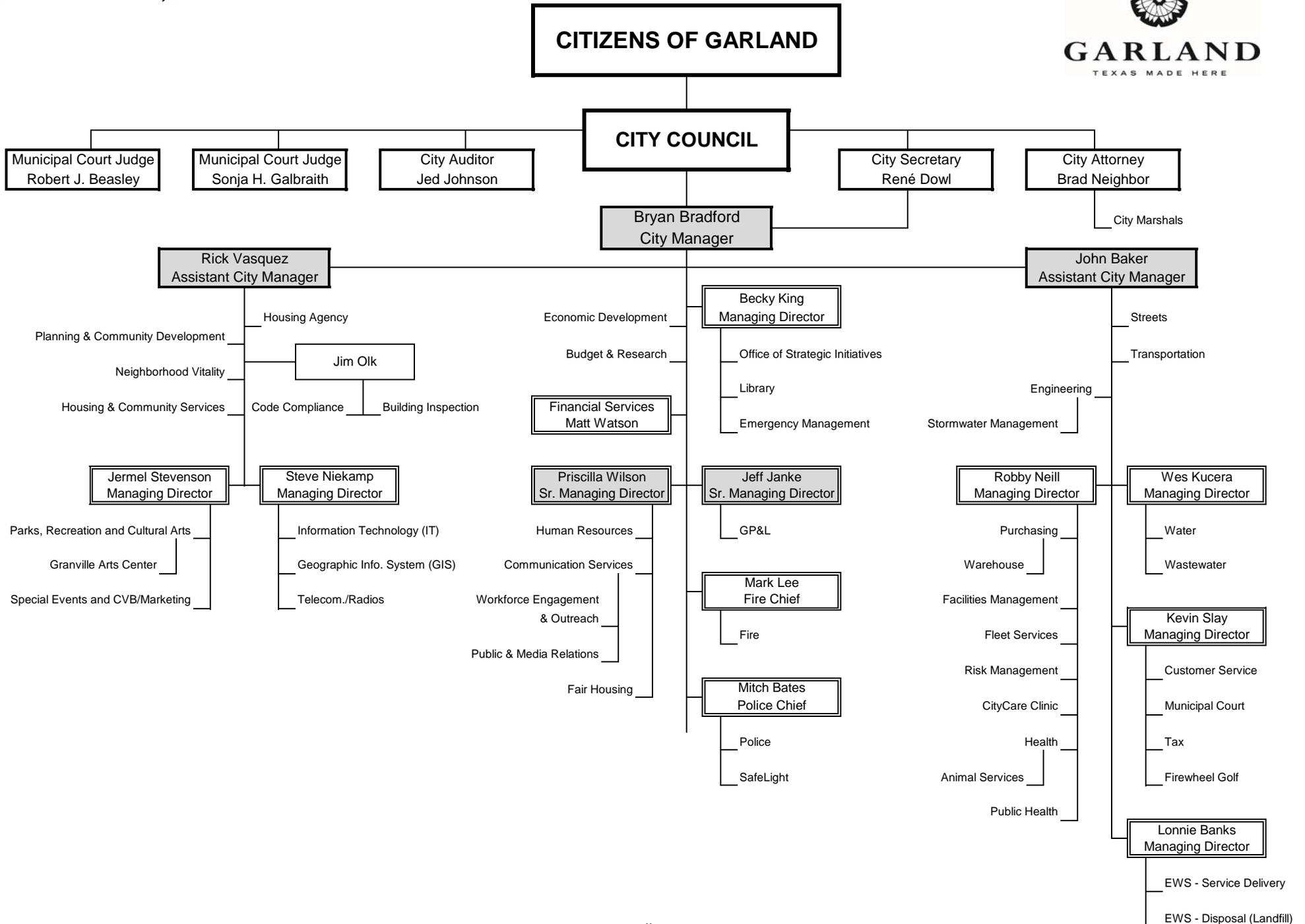
**City of Garland
Texas**

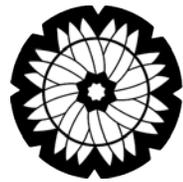
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO





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Independent Auditor's Report

The Honorable Mayor, Members of the City Council and City Manager
City of Garland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garland (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Garland Housing Finance Corporation (GHFC), the discretely presented component unit of the City of Garland as of and for the year ended December 31, 2016. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the GHFC is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis; the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual; Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions; Schedule of Funding Progress, and the notes to the required supplementary information on pages 5 – 23 and 91 – 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

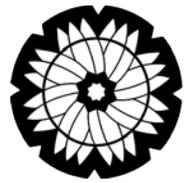
The accompanying combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements and schedules listed in the foregoing table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 14, 2018



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**City of Garland, Texas
Management's Discussion and Analysis
(Unaudited)**

As management of the City of Garland, we offer readers of the City of Garland's financial statements this narrative overview and analysis of the financial activities of the City of Garland for the fiscal year ended September 30, 2017. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the City of Garland (the City) exceeded its liabilities and deferred inflows at the close of the fiscal year by \$843,154,282. Ending net position for governmental activities amount to \$186,449,946 and the ending net position for the business type activities amount to \$656,704,336.
- Net position for the governmental activities increased \$20,243,244 and the net position for the business type activities decreased \$12,970,203 for a total increase in the City's net position of \$7,273,041. Contributing factors related to the increase in governmental activities and decrease in business type activities are discussed in the governmental activities and business type activities sections of this overview and analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$104,847,221. Of the combined ending fund balances, \$60,713,591 is restricted, \$9,697,982 is committed, \$3,480,000 is assigned, and \$30,955,648 is unassigned.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred inflows/outflows, and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, landfill, economic development, and culture and recreation. The business-type activities of the City include electric, water, sewer, golf, heliport, storm water, parks performance, and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate non-profit corporation for which the City is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25-26 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. The City also maintains a fiduciary trust fund for the other post-employment benefits (OPEB).

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare it to the information presented for the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds. The General Fund, the Debt Service Fund, and the Capital Projects Fund, are considered to be major funds. Major funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 27-30 of this report.

Proprietary funds

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, golf, heliport, storm water management, parks performance, and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for group health, self-insurance, long-term disability insurance, fleet, vehicle replacement, information technology, facilities management, warehouse, and customer service operations. The internal service funds are allocated between the governmental and business-type activities based on the level of support each internal service provides to a governmental and business-type activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The electric, water, and sewer operations are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds can be found on pages 103-107 and for the internal service funds on pages 109-111.

The proprietary fund financial statements can be found on pages 31-35 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-90 of this report.

Other information

Required supplementary information concerning the General Fund schedule of revenues, expenditures, and changes in fund balances – budget and actual for the year ended September, 30, 2017, the net pension liability schedules, and the City's progress in funding its obligation to provide Other Postemployment Benefits (OPEB) to its employees, are presented on pages 91-95 of this report.

Government-wide Financial Analysis

Total assets and deferred outflows at fiscal year-end amount to \$2,089,999,739. Current and other assets comprise 31.03% and capital assets comprise 66.02% of the total assets and deferred outflows. Total assets and deferred outflows increased \$67,723,819 during the fiscal year primarily as a result of changes in building, improvements, equipment, and systems. Significant additions to fixed asset and construction in progress are described in the capital asset section of this overview and analysis.

Total liabilities and deferred inflows at the end of the fiscal year amount to \$1,246,845,457. Long-term liabilities comprise 91.99% and other liabilities comprise 7.51% of the total liabilities and deferred liabilities. Total liabilities increased \$60,450,778 during the fiscal year.

As mentioned earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$843,154,282 for the fiscal year ended September 30, 2017. The largest portion of the City's net position (69.51%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (23.14%) represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, the City of Garland Charter, grant contracts, and state law. The remaining balance of unrestricted net assets (7.35%) may be used to meet the City's ongoing obligations to citizens and creditors.

A comparative schedule of condensed government-wide net position is presented on the following page.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2017

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 190,064,625	\$ 191,203,874	\$ 458,361,602	\$ 506,170,909	\$ 648,426,227	\$ 697,374,783
Capital assets	399,949,596	381,536,946	979,785,820	866,938,238	1,379,735,416	1,248,475,184
Total assets	590,014,221	572,740,820	1,438,147,422	1,373,109,147	2,028,161,643	1,945,849,967
Total deferred outflows of resources	44,278,013	54,911,710	17,560,083	21,514,243	61,838,096	76,425,953
Long-term liabilities						
Outstanding	385,720,772	380,238,081	761,268,277	695,341,912	1,146,989,049	1,075,579,993
Other liabilities	58,060,555	75,837,027	35,594,960	26,579,936	93,655,515	102,416,963
Total liabilities and deferred inflows	443,781,327	456,075,108	796,863,237	721,921,848	1,240,644,564	1,177,996,956
Total deferred inflows of resources	4,060,961	5,370,720	2,139,932	3,027,003	6,200,893	8,397,723
Net position:						
Net investment in capital assets	177,385,098	150,422,234	408,670,773	393,233,982	586,055,871	543,656,216
Restricted for:						
Debt Service	5,239,767	4,439,839	7,301,497	6,407,570	12,541,264	10,847,409
Construction	762,777	851,283	-	-	762,777	851,283
Rate Mitigation	-	-	179,449,020	178,325,654	179,449,020	178,325,654
Housing Assistance	988,727	1,165,883	-	-	988,727	1,165,883
Other Grant Programs	1,373,805	1,447,531	-	-	1,373,805	1,447,531
Unrestricted	699,772	7,879,932	61,283,046	91,707,333	61,982,818	99,587,265
Total net position	\$ 186,449,946	\$ 166,206,702	\$ 656,704,336	\$ 669,674,539	\$ 843,154,282	\$ 835,881,241

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2017

The total net position increased \$7,273,041 in the 2017 fiscal year. Governmental activities increased \$20,243,244 while the business-type activities decreased this total by \$12,970,203. These increases and decreases are discussed in the governmental activities section and the business-type activities section of this overview and analysis.

Schedule of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 49,335,484	\$ 48,497,545	\$ 416,473,295	\$ 414,319,379	\$ 465,808,779	\$ 462,816,924
Operating grants and contributions	16,271,994	15,090,766	884,150	-	17,156,144	15,090,766
Capital grants and contributions	12,892,981	8,377,011	3,113,641	2,534,605	16,006,622	10,911,616
General Revenues:						
Property taxes	87,329,443	79,069,419	-	-	87,329,443	79,069,419
Sales taxes	29,894,875	30,234,776	-	-	29,894,875	30,234,776
Other taxes	10,650,995	10,295,965	-	-	10,650,995	10,295,965
Unrestricted interest earnings	1,117,176	913,992	1,961,783	1,671,185	3,078,959	2,585,177
Miscellaneous	606,208	251,073	1,395,829	2,590,247	2,002,037	2,841,320
Total Revenues	<u>208,099,156</u>	<u>192,730,547</u>	<u>423,828,698</u>	<u>421,115,416</u>	<u>631,927,854</u>	<u>613,845,963</u>
Expenses:						
General government	33,421,800	32,857,828	-	-	33,421,800	32,857,828
Public safety	107,419,896	103,855,466	-	-	107,419,896	103,855,466
Public works	39,356,985	46,703,808	-	-	39,356,985	46,703,808
Culture and recreation	24,743,188	24,405,765	-	-	24,743,188	24,405,765
Public health	4,682,394	4,819,386	-	-	4,682,394	4,819,386
Interest and fiscal charges	8,391,567	8,833,481	-	-	8,391,567	8,833,481
Electric	-	-	282,989,503	281,386,514	282,989,503	281,386,514
Water	-	-	58,299,626	54,403,015	58,299,626	54,403,015
Sewer	-	-	37,321,258	36,662,146	37,321,258	36,662,146
Golf	-	-	5,080,114	4,926,096	5,080,114	4,926,096
Heliport	-	-	5,344	5,350	5,344	5,350
Storm Water Management	-	-	3,842,023	3,878,831	3,842,023	3,878,831
Parks Performance	-	-	1,259,287	1,233,076	1,259,287	1,233,076
Sanitation	-	-	17,841,828	17,786,836	17,841,828	17,786,836
Total expenses	<u>218,015,830</u>	<u>221,475,734</u>	<u>406,638,983</u>	<u>400,281,864</u>	<u>624,654,813</u>	<u>621,757,598</u>
Change in net position before transfers	(9,916,674)	(28,745,187)	17,189,715	20,833,552	7,273,041	(7,911,635)
Transfers	30,159,918	34,982,692	(30,159,918)	(34,982,692)	-	-
Increase (decrease) in net position	<u>20,243,244</u>	<u>6,237,505</u>	<u>(12,970,203)</u>	<u>(14,149,140)</u>	<u>7,273,041</u>	<u>(7,911,635)</u>
Net position-beginning	166,206,702	159,969,197	669,674,539	683,823,679	835,881,241	843,792,876
Net position - ending	<u>\$186,449,946</u>	<u>\$ 166,206,702</u>	<u>\$ 656,704,336</u>	<u>\$ 669,674,539</u>	<u>\$843,154,282</u>	<u>\$ 835,881,241</u>

Governmental activities

Governmental activities increased the City's net position by \$20,243,244 in fiscal year 2017. Key factors that contributed to this improvement are discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2017		2016		Amount Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 49,335,484	23.71%	\$ 48,497,545	25.16%	\$ 837,939	1.73%
Operating grants and contributions	16,271,994	7.82%	15,090,766	7.83%	1,181,228	7.83%
Capital grants and contributions	12,892,981	6.20%	8,377,011	4.35%	4,515,970	53.91%
Property taxes	87,329,443	41.97%	79,069,419	41.03%	8,260,024	10.45%
Sales taxes	29,894,875	14.37%	30,234,776	15.69%	(339,901)	-1.12%
Other taxes	10,650,995	5.12%	10,295,965	5.34%	355,030	3.45%
Unrestricted interest earnings	1,117,176	0.53%	913,992	0.47%	203,184	22.23%
Miscellaneous	606,208	0.28%	251,073	0.13%	355,135	141.45%
Total Revenues	<u>\$ 208,099,156</u>		<u>\$ 192,730,547</u>		<u>\$15,368,609</u>	

Key changes in revenue by source included the following:

Property tax revenue increased \$8,260,024 due to an increase in the value of the tax base of 9.7% related to new construction in the City and increases in the existing tax base.

Capital grants and contributions increased \$4,515,970 as a result of recovery of expenditures as a result of shared infrastructure construction projects during FY17 that included construction of the Pleasant Valley Bridge.

Operating grants and contributions increased \$1,181,228 due to Federal Emergency Management Agency (FEMA) reimbursements related to severe floods experienced in May 2015 and a tornado that hit South Garland on December 26, 2015.

Expenses by Source - Governmental Activities

	Expenses by Source		
	2017	2016	Change
General government	\$ 33,421,800	\$ 32,857,828	\$ 563,972
Public safety	107,419,896	103,855,466	3,564,430
Public works	39,356,985	46,703,808	(7,346,823)
Culture and recreation	24,743,188	24,405,765	337,423
Public health	4,682,394	4,819,386	(136,992)
Interest and fiscal charges	8,391,567	8,833,481	(441,914)
Total Expense	<u>\$ 218,015,830</u>	<u>\$ 221,475,734</u>	<u>\$ (3,459,904)</u>

The \$3,459,904 change in expenses is primarily due to the following factors:

- Public Safety expenses increased due to the addition of 3 School Resource Officers, equipping police officers with body-worn cameras, and the replacement and addition of various equipment needs in the Fire Department.
- Public Works expenses decreased \$7,346,823 due to a significant increase in infrastructure improvements being capitalized. It should be noted that street and infrastructure funding has more than doubled to \$20.7 million over the last 3 years.

Business-type Activities

Business-type activities decreased the City's net position by \$12,970,203. Key factors that contributed to the change are discussed below.

- The electric utility incurred a net loss of \$20,747,810. The net loss for the electric utility decreased \$1,978,550 from the prior fiscal year as a result of the following:
 - Wholesale revenue from transmission and renewable activity increased.
 - Fuel and energy purchases increased, but were offset by a reduction in TMPA demand charges.
 - Maintenance, repairs, and supplies expense decrease, while general and administrative expenses increased.
- The water utility incurred a net income of \$3,682,285. Key elements to this change are as follows.
 - Charges for services increased due to an average rate increase of 3.8%.
 - FY17 transfers included a one-time transfer of \$2,410,000 in water impact fees to fund the Water Master Plan, a vacuum truck, and West Pressure Plane (new water tower).
- The sewer utility incurred a net income of \$2,244,052. The net income for the sewer utility decreased \$923,542 from the prior fiscal year as a result of the following:
 - Charges for services decreased \$391,531 due to overall wastewater consumption being lower and rates remaining unchanged for FY16.
 - Operating expenses increased \$651,460 due to positions filled during FY17 which were vacant in FY16, merit/performance raises, as well as repair and replacement of equipment.
- The combined net income for non-major enterprise funds (golf, heliport, storm water management, parks performance, and sanitation) amounted to \$554,210.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2017

Revenues by Source – Business-type Activities

	Charges for Service			Operating Grants and Contributions		
	2017	2016	Change	2017	2016	Change
Electric	\$ 279,846,202	\$ 278,334,789	\$ 1,511,413	\$ 609,323	\$ -	\$ 609,323
Water	63,623,236	63,373,281	249,955	-	-	-
Sewer	44,237,184	44,628,715	(391,531)	-	-	-
Non-major Enterprise	28,766,673	27,982,594	784,079	274,827	-	274,827
Total	\$ 416,473,295	\$ 414,319,379	\$ 2,153,916	\$ 884,150	\$ -	\$ 884,150

	Capital Grants and Contributions			Miscellaneous		
	2017	2016	Change	2017	2016	Change
Electric	\$ 11,450	\$ -	\$ 11,450	\$ 716,519	\$ 1,909,520	\$ (1,193,001)
Water	2,098,607	1,478,721	619,886	338,728	335,012	3,716
Sewer	1,003,584	888,960	114,624	106,793	120,957	(14,164)
Non-major Enterprise	-	166,924	(166,924)	233,797	224,758	9,039
Total	\$ 3,113,641	\$ 2,534,605	\$ 579,036	\$ 1,395,837	\$ 2,590,247	\$ (1,194,410)

Expenses by Source – Business-type Activities

	2017	2016	Amount Change	Percentage Change
Electric	\$282,989,503	\$ 281,386,514	\$ 1,602,989	0.57%
Water	58,299,626	54,403,015	3,896,611	7.16%
Sewer	37,321,258	36,662,146	659,112	1.80%
Non-Major	28,028,596	27,830,189	198,407	0.71%
	\$406,638,983	\$ 400,281,864	\$ 6,357,119	1.59%

Fiduciary funds

In the 2009 fiscal year, the City established an Other Post Employment Benefit Trust Fund which allows the City to capture long-term returns to make progress towards reducing the unfunded liability of post-employment health care. A \$750,000 contribution in excess of the pay-as-you-go costs was made to the trust fund during the 2017 fiscal year. The City will make future contributions to the trust fund as economic conditions permit.

Capital Asset and Debt Administration

Capital Assets

At the end of the 2017 fiscal year, the City had \$1,379,735,416 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system, and a sewer system. This amount represents a net increase of \$131,260,232 or 10.51% increase from the prior fiscal year. Key elements of this change are as follows:

	Capital Assets at Fiscal Year-end (Net of Accumulated Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 83,057,383	\$ 82,668,731	\$ 29,307,887	\$ 30,847,485	\$ 112,365,270	\$ 113,516,216
Construction in Progress	56,485,374	45,757,090	148,914,516	59,933,660	205,399,890	105,690,750
Building, Improvements, equipment and systems	260,406,839	253,111,125	801,563,417	776,157,093	1,061,970,256	1,029,268,218
Total capital assets	<u>\$ 399,949,596</u>	<u>\$ 381,536,946</u>	<u>\$ 979,785,820</u>	<u>\$ 866,938,238</u>	<u>\$1,379,735,416</u>	<u>\$1,248,475,184</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2017

Major capital asset additions for the current fiscal year included (amounts rounded to the nearest thousand):

Description	Amount (000's)
GP&L Swindell Substation	\$ 7,918
GP&L Wylie Switch Yard	7,154
Street and Stormwater Drainage Improvements	6,897
McCree Water Tower	4,460
GP&L Street Lights	4,123
Rowlett Creek WWTP Replacements/Mods	3,019
Country Club/Bobtown Rd Water Transmission Mains	2,972
GP&L Distribution OH Lines	2,875
Water Mains Prior to Paving	2,636
Hinton Landfill Cell 7	2,550
Rowlett Creek Interceptor Rehab	2,380
Water Distribution Mains – up to 14 inch	2,275
GP&L Distribution UG Lines	2,217
Sewer Collection Mains	2,159
Water Distribution Line Replacement	2,125
GP&L Apollo – E Richardson 138 KV Transmission	2,085
5 th Street – Miller to Kingsley	1,810
Public & Media Relations Studio	1,656
Library Materials	1,625
Cured-in-place Sewer Main & Lateral Rehab	1,395
GP&L Commercial & Industrial Construction	1,389
EWS Garbage Collection Equipment	1,250
GP&L HICO Breaker	1,169
Sewer Mains Relocations	1,163
Radio Read Water Meter Retrofit	1,151
Fire Apparatus	1,146
Downtown Drainage Improvements	1,036

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2017

A few of the Capital Improvement Program projects under construction at the end of the current fiscal year included (amounts rounded to the nearest thousand):

<u>Description</u>	<u>Amount</u> <u>(000's)</u>
GP&L Limestone to Gibbons Creek Transmission Line	\$101,515
Rowlett Creek WWTP Biosolids Expansion	21,846
Pleasant Valley Road Bridge	15,395
Radio System Replacement	10,663
Fire Station No. 5	4,781
Rowlett Creek WWTP Processes Improvements	2,390
GP&L Wylie Switch Yard to Firewheel 135 KV Line	1,976
Shiloh Road – IH 635 to Kingsley	1,784
GP&L Forest Lane Substation Loop	1,773
GP&L Olinger 2 & 3 Controls System Upgrade	1,622

Additional information on the City's capital assets can be found in note IV.C. on pages 56-58 of this report.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2017

Debt

Debt issues outstanding for the fiscal years 2017 and 2016 were as follows:

	Governmental Activities		Business-type Activities		Total		
	2017	2016	2017	2016	2017	2016	Change
Long-Term:							
General obligation bonds	\$181,210,000	\$178,770,000	\$ 26,845,000	\$ 36,660,000	\$208,055,000	\$215,430,000	\$ (7,375,000)
Certificates of obligation	80,435,000	89,310,000	167,365,000	178,120,000	247,800,000	267,430,000	(19,630,000)
Utility system revenue bonds	-	-	346,395,000	337,830,000	346,395,000	337,830,000	8,565,000
Commercial paper	-	-	163,280,000	89,910,000	163,280,000	89,910,000	73,370,000
Total Long-Term	<u>261,645,000</u>	<u>268,080,000</u>	<u>703,885,000</u>	<u>642,520,000</u>	<u>965,530,000</u>	<u>910,600,000</u>	<u>54,930,000</u>
Short-Term:							
Commercial Paper	-	10,000,000	-	-	-	10,000,000	(10,000,000)
Tax Note	8,305,000	7,350,000	-	-	8,305,000	7,350,000	955,000
Total Short-Term	<u>8,305,000</u>	<u>17,350,000</u>	<u>-</u>	<u>-</u>	<u>8,305,000</u>	<u>17,350,000</u>	<u>(9,045,000)</u>
Total outstanding debt	<u>\$269,950,000</u>	<u>\$285,430,000</u>	<u>\$703,885,000</u>	<u>\$642,520,000</u>	<u>\$973,835,000</u>	<u>\$927,950,000</u>	<u>\$45,885,000</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2017

During the fiscal year, the City issued the following debt:

Issue	Principal	Bond Ratings	
		Standard & Poor's	Fitch IBCA
Long-term			
Certificates of Obligation Bonds, Series 2017	\$ 18,140,000	AA+	AAA
General Obligation Refunding Bonds, Series 2016	42,040,000	AA+	AAA
General Obligation Refunding Bonds, Series 2017	41,140,000	AA+	AAA
Electric Utility System Revenue Refunding Bonds, New Series 2016A	12,055,000	A+	AA-
Electric Utility System Revenue Refunding Bonds, New Series 2016B	36,875,000	A+	AA-
Water and Sewer System Revenue Refunding Bonds, New Series 2016	16,715,000	AA-	AA
Water and Sewer System Revenue Refunding Bonds, New Series 2017	21,430,000	AA-	AA
Electric Commercial Paper, Series 2014	29,895,000	A-1+	
Electric System Notes, Series 2016	93,385,000	A+	A+
Water & Sewer Commercial Paper, Series 2015	40,000,000	F1	F1
Short-term			
Tax Anticipation Note, Series 2017	8,305,000		
Total debt financing	<u>\$359,980,000</u>		

The proceeds of the Certificates of Obligation Bonds, Series 2017 will be used for the following:

- Constructing, equipping, and improving various facilities in the City,
- Acquiring equipment and vehicles for Firewheel golf course, the environmental waste services department, the solid waste department, the stormwater management department, and the municipal street department,
- Street improvements and infrastructure improvements.

The proceeds of the General Obligation Refunding Bonds, Series 2016 were used to refund General Obligation Bonds, Series 2007A, and Certificates of Obligation Bonds, Series 2007 at the call date. As a result of the refunding, the City decreased its total debt service payments.

The proceeds of the General Obligation Refunding Bonds, Series 2017 were used to refund General Obligation Bonds, Series 2008A, Certificates of Obligation Bonds, Series 2008, and to take out \$10,000,000 of General Obligation Commercial Paper debt Series 2015 at the call date. As a result of the refunding, the City decreased its total debt service payments.

The proceeds of the Electric Utility System Revenue Refunding Bonds, New Series 2016A were used to refund Electric Utility System Revenue Bonds, Series 2007 at the call date. As a result of the refunding, the City decreased its total debt service payments.

The proceeds of the Electric Utility System Revenue Refunding Bonds, New Series 2016B were used to take out \$40,105,000 of Electric commercial paper debt, Series 2014.

The proceeds of the Water and Sewer System Revenue Refunding Bonds, New Series 2016 were used to refund Water and Sewer Utility System Revenue Bonds, Series 2007 at the call date. As a result of the refunding, the City decreased its total debt service payments.

The proceeds of the Water and Sewer System Revenue Refunding Bonds, New Series 2017 were used to refund Water and Sewer Utility System Revenue Bonds, Series 2008 at the call date. As a result of the refunding, the City decreased its total debt service payments.

In fiscal year 2010, the City along with other TMPA member cities elected to issue bonds based on the percentage of their annual net energy load and placed the proceeds with TMPA. Since the proceeds from the issuance of this debt will benefit the City over future years the City has elected to record an other asset and a corresponding bonds payable liability, reoffering premium, interest and sinking fund deposit, underwriters discount and issuance cost to record this transaction. The other asset of \$138,252,850 is being amortized using a straight-line method over a period of 20 years based on the life of the economic benefit that the City is receiving from this transaction. During the current fiscal year, the City amortized \$6,912,643 of the asset resulting in a fiscal year-end balance in other assets of \$86,408,031. In August, 2017, the TMPA Board of Directors approved a plan of "seasonal operations" in which the Gibbons Creek plant will operate in the summer months beginning in 2018. Operations during years after 2018 will be evaluated on an annual basis. The TMPA other asset becomes impaired as a result of this determination. Further information related to the asset impairment is available on pages 79-80.

In 2015, the City elected to issue Combination Tax & Electric Utility System Surplus Revenue Refunding Bonds for the purpose of prepaying certain contractual obligations to TMPA. Since the proceeds of this debt issuance were placed with an escrow agent and the City received an economic benefit over a period of years, an Other Assets was recorded in the Electric Fund Statement of Net Position in the amount of \$59,270,000. The City is amortizing the Other Asset over a period of 2 years. During the current year, the City amortized \$29,635,000 of the asset and resulted in the Other Asset being fully amortized at fiscal year-end 2017.

In 2016, the City initiated the \$139,245,000 Electric Utility System Note, Series 2016 for the Electric Fund. The Note, which functions similar to commercial paper, has a three-year term with proceeds being used for constructing the Limestone to Gibbons Creek transmission line. The Electric Fund had drawn \$93,385,000 at fiscal year-end.

In 2015, the City initiated a five year \$90 million tax-exempt commercial paper program for the Water and Sewer Funds. Proceeds from the sale of commercial paper notes will be used for the ongoing capital improvement program of the water and wastewater system.

Additional information on the City's debt can be found in note IV.E of this report.

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of \$104,847,221, an increase of \$19,255,152 from the prior fiscal year. The increase in the net change in fund balance for the Capital Projects Fund of \$11,270,892 is attributable to the refunding of short-term general obligation commercial paper notes of \$10,000,000 used as an interim financing tool to fund the 1997 and 2004 bond programs. By utilizing commercial paper, the City is able to lower its overall debt payments.

The General Fund ended the fiscal year with a fund balance of \$35,198,425 which was an increase of \$8,149,421 from the prior fiscal year. The original budget projected a decrease in fund balance of \$4,724,020 which was later revised to a decrease of \$3,794,243 in fund balance to fund one-time capital and operating needs. Favorable budget variances were experienced for revenues as well as expenditures for the fiscal year. Actual revenues exceeded final budgeted revenues by \$514,655 and actual expenditures were under the final budget amount by \$10,812,413. However, \$6,713,955 of this positive budget variance is related to approved street and infrastructure projects which have not been completed. The remaining favorable budget variance was a result of better than anticipated service charges, and other operational expenditure savings across General Fund departments.

The Debt Service Fund ended the fiscal year with a fund balance of \$6,298,049 due to a net increase in fund balance for the fiscal year of \$568,311.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2017, the City Council amended the budget for the General Fund on several occasions. The amendments were comprised of supplemental appropriations and adjusted budgets. Appropriations are adjusted annually for open purchase orders and various grant awards. Budgets are reviewed and adjusted during the fiscal year to address changing operational and/or economic situations. These amendments amounted to increased appropriations of \$3,398,240.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2017 was 3.3% and the State of Texas unemployment rate was 4.2%. The City's estimated population of 236,786 (as estimated at January 1, 2017 by the City's Planning department) remained virtually unchanged from the prior year.

The primary focus of the FY 2016-17 Budget was to provide additional resources to improve the condition of the City's street infrastructure, meet critical Public Safety needs, address escalating employee health-care costs, and to provide for market-based salary increases for employees.

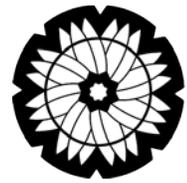
Additional priorities included continuing the City's economic development efforts in both commercial and residential areas, providing cash-funding to meet capital improvement needs, and funding additional staff to meet increasing demands in Building Inspection and Code compliance.

The primary focus of the FY 2017-18 Budget was to begin addressing items that were deferred during the recession and are negatively impacting core City services and quality of life in the Garland community.

- Address public safety staffing needs.
- Further improvement of the City's street infrastructure.
- Address needs in core service areas.
- Implement funding strategy to maintain retiree health insurance.
- Maintain employee compensation at market levels.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department at the City of Garland, 200 North Fifth Street, Garland, TX 75040 or through the City's internet site www.garlandtx.gov.



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City of Garland, Texas
Statement of Net Position
September 30, 2017

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		As of December 31, 2016
ASSETS				
Cash and cash equivalents	\$ 80,810,302	\$ 35,944,338	\$ 116,754,640	\$ 936,366
Investments	95,332,679	32,271,686	127,604,365	100,000
Accounts Receivable, net of allowance for uncollectibles	20,787,781	67,023,826	87,811,607	153,422
Due from other governments	1,570,201	784,824	2,355,025	-
Internal Balances	(18,442,172)	18,442,172	-	-
Inventories	6,398,433	4,385,922	10,784,355	-
Prepaid and other items	56,399	300,160	356,559	5,000
Derivative instrument-energy risk management	-	818,782	818,782	-
Restricted Assets:				
Cash and cash equivalents	2,174,759	55,021,542	57,196,301	-
Investments	1,284,713	156,368,741	157,653,454	-
Accrued interest	3,574	235,547	239,121	-
Assets held for resale	87,956	-	87,956	692,100
Capital Assets:				
Land	83,057,383	29,307,887	112,365,270	1,141,255
Construction in Progress	56,485,374	148,914,516	205,399,890	-
Buildings, Improvements, Equipment and System (net of accumulated depreciation)	260,406,839	801,563,417	1,061,970,256	-
Other Assets	-	86,764,062	86,764,062	-
Total assets	<u>590,014,221</u>	<u>1,438,147,422</u>	<u>2,028,161,643</u>	<u>3,028,143</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on debt refunding	701,356	1,285,776	1,987,132	-
Deferred charges on pensions	43,576,657	16,274,307	59,850,964	-
Total deferred outflows of resources	<u>44,278,013</u>	<u>17,560,083</u>	<u>61,838,096</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued liabilities	18,500,228	30,739,809	49,240,037	-
Escrow payable	668,360	253,131	921,491	-
Retainage payable	1,812,915	1,822,613	3,635,528	-
Accrued interest payable	1,404,931	2,529,407	3,934,338	-
Customer deposits	15,172,648	250,000	15,422,648	-
Tax Note Payable	8,305,000	-	8,305,000	-
Unearned revenue	12,196,473	-	12,196,473	1,438,181
Noncurrent Liabilities:				
Due within one year	40,781,055	50,961,662	91,742,717	-
Due in more than one year	344,939,717	710,306,615	1,055,246,332	-
Total liabilities	<u>443,781,327</u>	<u>796,863,237</u>	<u>1,240,644,564</u>	<u>1,438,181</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on debt refunding	181,494	137,423	318,917	-
Deferred charges on pensions	3,879,467	1,448,840	5,328,307	-
Deferred charges on derivatives	-	553,669	553,669	-
Total deferred inflows of resources	<u>4,060,961</u>	<u>2,139,932</u>	<u>6,200,893</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	177,385,098	408,670,773	586,055,871	1,141,255
Restricted for:				
Debt Service	5,239,767	7,301,497	12,541,264	-
Construction	762,777	-	762,777	-
Rate Mitigation	-	179,449,020	179,449,020	-
Housing	988,727	-	988,727	-
Other Grant Programs	1,373,805	-	1,373,805	-
Unrestricted net position	699,772	61,283,046	61,982,818	448,707
Total net position	<u>\$ 186,449,946</u>	<u>\$ 656,704,336</u>	<u>\$ 843,154,282</u>	<u>\$ 1,589,962</u>

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit as of 12/31/2016
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 33,421,800	\$ 8,432,962	\$ 13,836,420	\$ -	\$ (11,152,418)	\$ -	\$ (11,152,418)	\$ -
Public safety	107,419,896	19,019,451	971,026	-	(87,429,419)	-	(87,429,419)	-
Public works	39,356,985	19,976,447	972,905	12,892,981	(5,514,652)	-	(5,514,652)	-
Culture and recreation	24,743,188	1,367,082	6,619	-	(23,369,487)	-	(23,369,487)	-
Public health	4,682,394	539,542	485,024	-	(3,657,828)	-	(3,657,828)	-
Interest and fiscal charges	8,391,567	-	-	-	(8,391,567)	-	(8,391,567)	-
Total governmental activities	218,015,830	49,335,484	16,271,994	12,892,981	(139,515,371)	-	(139,515,371)	-
Business type activities:								
Electric	282,989,503	279,846,202	609,323	11,450	-	(2,522,528)	(2,522,528)	-
Water	58,299,626	63,623,236	-	2,098,607	-	7,422,217	7,422,217	-
Sewer	37,321,258	44,237,184	-	1,003,584	-	7,919,510	7,919,510	-
Golf	5,080,114	3,964,942	205,259	-	-	(909,913)	(909,913)	-
Heliport	5,344	7,118	-	-	-	1,774	1,774	-
Storm Water Management	3,842,023	3,860,797	-	-	-	18,774	18,774	-
Parks Performance	1,259,287	1,220,969	-	-	-	(38,318)	(38,318)	-
Sanitation	17,841,828	19,712,847	69,568	-	-	1,940,587	1,940,587	-
Total business-type activities	406,638,983	416,473,295	884,150	3,113,641	-	13,832,103	13,832,103	-
Total primary government	\$ 624,654,813	\$ 465,808,779	\$ 17,156,144	\$ 16,006,622	(139,515,371)	13,832,103	(125,683,268)	-
Component units								
Garland Housing Finance Corp.	\$ 343,847	\$ 607,449	\$ -	-	-	-	-	263,602
	\$ 343,847	\$ 607,449	\$ -	\$ -				
General revenues:								
Sales taxes					29,894,875	-	29,894,875	-
Franchise fees based on gross receipts					8,746,777	-	8,746,777	-
Property taxes					87,329,443	-	87,329,443	-
Hotel/Motel taxes					1,415,395	-	1,415,395	-
Mixed drink taxes					401,934	-	401,934	-
Bingo taxes					86,889	-	86,889	-
Unrestricted investment earnings					1,117,176	1,961,783	3,078,959	3,386
Miscellaneous					606,208	1,395,829	2,002,037	-
Transfers					30,159,918	(30,159,918)	-	-
Total general revenues and transfers					159,758,615	(26,802,306)	132,956,309	3,386
Net change in net position					20,243,244	(12,970,203)	7,273,041	266,988
Net position-beginning					166,206,702	669,674,539	835,881,241	1,322,974
Net position-ending					\$ 186,449,946	\$ 656,704,336	\$ 843,154,282	\$ 1,589,962

The notes to the financial statements are an integral part of this statement.

**City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2017**

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 17,278,965	\$ 6,207,731	\$ 30,250,349	\$ 5,189,506	\$ 58,926,551
Investments	21,812,427	-	40,647,054	6,265,168	68,724,649
Receivables:					
Accounts, net	11,021,476	-	-	4,202,005	15,223,481
Taxes, net	550,829	434,232	-	-	985,061
Accrued interest	42,439	35	78,772	13,220	134,466
Assessments	16,494	-	-	-	16,494
Other	-	2,700	1,691,994	-	1,694,694
Due from other funds	1,826,721	-	-	-	1,826,721
Due from other governments	1,178,758	-	-	391,443	1,570,201
Assets held for resale	-	-	-	87,956	87,956
Restricted assets:					
Cash and cash equivalents	-	-	-	1,137,858	1,137,858
Total Assets	\$ 53,728,109	\$ 6,644,698	\$ 72,668,169	\$ 17,287,156	\$ 150,328,132
LIABILITIES					
Accounts payable and accrued liabilities	\$ 12,416,245	\$ -	\$ 1,950,715	\$ 381,774	\$ 14,748,734
Accrued interest-CO's	-	-	-	9,187	9,187
Escrow payable	-	-	376,409	291,951	668,360
Due to other funds	29,758	-	20,878	40,718	91,354
Unearned revenues	386,469	-	7,306,992	4,503,012	12,196,473
Retainage payable	15,186	-	1,725,948	-	1,741,134
Tax note payable	-	-	8,305,000	-	8,305,000
Total Liabilities	12,847,658	-	19,685,942	5,226,642	37,760,242
DEFERRED INFLOWS OF RESOURCES	5,682,026	346,649	1,691,994	-	7,720,669
FUND BALANCES					
Fund balances:					
Restricted	762,777	6,298,049	51,290,233	2,362,532	60,713,591
Committed	-	-	-	9,697,982	9,697,982
Assigned	3,480,000	-	-	-	3,480,000
Unassigned	30,955,648	-	-	-	30,955,648
Total Fund Balances	35,198,425	6,298,049	51,290,233	12,060,514	104,847,221
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 53,728,109	\$ 6,644,698	\$ 72,668,169	\$ 17,287,156	\$ 150,328,132

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2017

Total fund balances - governmental funds	\$ 104,847,221
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	342,352,577
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	7,720,669
Deferred outflows related to pensions.	37,865,064
Bond interest is not accrued at the fund level.	(1,251,699)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:	
Bonds payable	(237,070,000)
Landfill closure costs	(12,556,412)
Compensated absences	(20,739,696)
Unamortized premium on refunding	(16,038,139)
Other Post Employment Benefits liability payable	(16,054,575)
Deferred loss on debt refunding	561,843
Deferred gain on debt refunding	(173,650)
Net pension liability and deferred inflows related to pensions.	(39,718,809)
Internal service funds net position adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.	36,705,552
Total net position - governmental activities	\$ 186,449,946

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2017

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 78,643,331	\$ 38,045,375	\$ -	\$ 2,365,713	\$ 119,054,419
Franchise fees	8,746,777	-	-	-	8,746,777
Service charges	26,037,157	-	-	-	26,037,157
Licenses and permits	5,201,460	-	-	-	5,201,460
Earnings on investments	330,241	85,863	343,442	77,510	837,056
Intergovernmental	803,933	-	-	13,824,130	14,628,063
Charges for services	9,426,444	-	-	-	9,426,444
Fines and forfeits	8,586,513	-	-	-	8,586,513
Rents and concessions	745,942	-	-	-	745,942
Assessments	-	-	39,797	-	39,797
Impact fees	-	-	-	1,640,837	1,640,837
Program income	-	-	-	360,193	360,193
Court awarded seizures	-	-	-	291,479	291,479
Miscellaneous and other	-	32,433	11,954,753	250,001	12,237,187
Total revenues	<u>138,521,798</u>	<u>38,163,671</u>	<u>12,337,992</u>	<u>18,809,863</u>	<u>207,833,324</u>
EXPENDITURES					
Current:					
General government	11,396,295	-	388,093	-	11,784,388
Public safety	89,743,140	-	-	-	89,743,140
Public works	22,329,429	-	-	-	22,329,429
Culture and recreation	15,083,685	-	-	-	15,083,685
Public health	3,801,719	-	-	-	3,801,719
Nondepartmental	24,798,432	-	-	-	24,798,432
Operations	-	-	-	15,376,461	15,376,461
Capital outlay	-	-	29,242,956	1,071,205	30,314,161
Debt service:					
Principal	-	21,825,000	-	155,000	21,980,000
Interest	-	8,525,655	-	413,437	8,939,092
Issue costs on issuance of debt	-	490,612	-	-	490,612
Other and fiscal expenditures	-	43,517	275,680	-	319,197
Total expenditures	<u>167,152,700</u>	<u>30,884,784</u>	<u>29,906,729</u>	<u>17,016,103</u>	<u>244,960,316</u>
Excess (deficiency) of revenues over (under) expenditures	(28,630,902)	7,278,887	(17,568,737)	1,793,760	(37,126,992)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	312,911	-	245,000	-	557,911
Transfers in	39,191,385	685,321	9,476,234	91,765	49,444,705
Transfers out	(2,723,975)	(7,436,509)	(6,929,285)	(2,619,000)	(19,708,769)
Issuance of debt	-	-	23,490,000	-	23,490,000
Premium on issuance of debt	-	7,654,231	2,557,680	-	10,211,911
Issuance of refunding bonds	-	55,425,000	-	-	55,425,000
Payment to refunded bonds escrow agent	-	(63,038,619)	-	-	(63,038,619)
Total other financing sources (uses)	<u>36,780,321</u>	<u>(6,710,576)</u>	<u>28,839,629</u>	<u>(2,527,235)</u>	<u>56,382,139</u>
Net change in fund balance	8,149,419	568,311	11,270,892	(733,475)	19,255,147
Fund balances - beginning	27,049,006	5,729,738	40,019,341	12,793,989	85,592,074
Fund balances - ending	<u>\$ 35,198,425</u>	<u>\$ 6,298,049</u>	<u>\$ 51,290,233</u>	<u>\$ 12,060,514</u>	<u>\$ 104,847,221</u>

The notes to the financial statements are an integral part of this statement.

**City of Garland, Texas
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 19,255,147
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	14,667,550
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(487,268)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,275,329)
Other long-term liabilities related to pension expense and contributions, are not due and payable in the current period and therefore, are not reported in governmental funds.	(9,400,467)
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(1,315,126)
Interest is accrued in the government wide financial statements but not at the fund level. This represents the change in the accrual during the period.	174,262
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services, and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>1,624,475</u>
Net change in net position-total governmental activities	<u><u>\$ 20,243,244</u></u>

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2017

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 24,760,559	\$ 4,221,992	\$ 4,936,137	\$ 2,025,650	\$ 35,944,338	\$ 21,883,750
Investments	18,572,828	5,138,443	6,062,623	2,497,792	32,271,686	26,608,032
Receivable, net of allowance	45,494,014	7,978,598	11,035,846	2,445,897	66,954,355	2,685,890
Accrued interest	29,123	13,234	21,741	5,373	69,471	47,694
Due from other funds	-	-	-	29,758	29,758	-
Due from other governments	609,323	-	-	175,501	784,824	-
Inventories	4,310,542	-	-	75,380	4,385,922	6,398,433
Prepaid expense	300,160	-	-	-	300,160	56,399
Derivative instruments-energy risk management	818,782	-	-	-	818,782	-
Total current assets	<u>94,895,331</u>	<u>17,352,267</u>	<u>22,056,347</u>	<u>7,255,351</u>	<u>141,559,296</u>	<u>57,680,198</u>
Noncurrent Assets:						
Restricted assets						
Revenue bond reserve fund:						
Cash and cash equivalents	-	691,758	622,588	-	1,314,346	-
Investments	-	2,450,189	3,536,962	-	5,987,151	-
Total revenue bond reserve fund	<u>-</u>	<u>3,141,947</u>	<u>4,159,550</u>	<u>-</u>	<u>7,301,497</u>	<u>-</u>
Rate mitigation:						
Cash and cash equivalents	38,477,428	-	-	-	38,477,428	-
Investments	140,752,430	-	-	-	140,752,430	-
Accrued interest	219,162	-	-	-	219,162	-
Total rate mitigation	<u>179,449,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,449,020</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	6,291,927	989,208	6,340,560	1,608,073	15,229,768	1,036,900
Investments	834,119	950,635	5,857,505	1,986,901	9,629,160	1,284,713
Accrued interest	1,499	1,716	10,606	2,564	16,385	3,574
Total construction funds	<u>7,127,545</u>	<u>1,941,559</u>	<u>12,208,671</u>	<u>3,597,538</u>	<u>24,875,313</u>	<u>2,325,187</u>
Capital Assets:						
Land	13,974,571	1,807,965	2,338,807	11,186,544	29,307,887	221,949
Buildings, improvements, equipment and systems	582,545,662	298,737,661	455,474,775	40,376,833	1,377,134,931	105,511,779
Construction in progress	116,701,729	4,025,193	28,173,267	14,327	148,914,516	14,725,924
Less accumulated depreciation	<u>(202,752,669)</u>	<u>(114,031,405)</u>	<u>(235,485,768)</u>	<u>(23,301,672)</u>	<u>(575,571,514)</u>	<u>(62,862,633)</u>
Net capital assets	510,469,293	190,539,414	250,501,081	28,276,032	979,785,820	57,597,019
Other Assets	86,764,062	-	-	-	86,764,062	-
Advance to other funds	3,896,269	-	-	-	3,896,269	-
Total noncurrent assets	<u>787,706,189</u>	<u>195,622,920</u>	<u>266,869,302</u>	<u>31,873,570</u>	<u>1,282,071,981</u>	<u>59,922,206</u>
Total Assets	<u>882,601,520</u>	<u>212,975,187</u>	<u>288,925,649</u>	<u>39,128,921</u>	<u>1,423,631,277</u>	<u>117,602,404</u>
Deferred Outflows of Resources						
Deferred charges on debt refundings	396,065	324,865	564,650	196	1,285,776	139,513
Deferred charges on pensions	9,624,178	1,728,292	2,349,566	2,572,271	16,274,307	5,711,593
Total deferred outflows	<u>10,020,243</u>	<u>2,053,157</u>	<u>2,914,216</u>	<u>2,572,467</u>	<u>17,560,083</u>	<u>5,851,106</u>

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2017

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
<i>Payable from current assets</i>						
Accounts payable and accrued liabilities	\$ 14,777,849	\$ 3,272,735	\$ 566,253	\$ 546,830	\$ 19,163,667	\$ 3,693,365
Due to other funds	-	-	-	-	-	1,765,125
Insurance claims payable	-	-	-	-	-	4,928,388
Accrued interest payable:						
General obligation bonds	107,078	15,039	48,415	83	170,615	31,413
Certificates of obligation	990,763	-	-	61,882	1,052,645	112,633
Revenue bonds	697,662	283,263	325,222	-	1,306,147	-
Customer deposits	250,000	-	-	-	250,000	15,172,648
General obligation bonds	5,825,000	760,000	2,155,000	-	8,740,000	250,000
Certificates of obligation	12,415,000	-	-	2,810,000	15,225,000	2,080,000
Revenue bonds	10,640,000	5,745,000	8,160,000	-	24,545,000	-
Compensated absences	1,505,451	253,396	377,107	315,708	2,451,662	815,008
Total current liabilities	<u>47,208,803</u>	<u>10,329,433</u>	<u>11,631,997</u>	<u>3,734,503</u>	<u>72,904,736</u>	<u>28,848,580</u>
Long-term liabilities:						
<i>Payable from restricted assets</i>						
Accounts payable	9,703,236	466,273	1,235,759	170,874	11,576,142	58,127
Retainage payable	336,662	400,345	1,085,606	-	1,822,613	71,781
Escrow payable	253,131	-	-	-	253,131	-
Total payable from restricted assets	<u>10,293,029</u>	<u>866,618</u>	<u>2,321,365</u>	<u>170,874</u>	<u>13,651,886</u>	<u>129,908</u>
Advances from other funds	-	-	-	-	-	3,896,269
Revenue bonds payable (net of unamortized premium)	183,071,249	79,330,484	84,482,304	-	346,884,037	-
Certificates of obligation (net of unamortized premium)	150,882,391	-	-	9,389,944	160,272,335	17,615,033
General obligation bonds (net of unamortized premium and defeased bond costs)	11,801,605	1,806,695	5,969,727	17,206	19,595,233	5,693,831
Commercial paper	123,280,000	19,000,000	21,000,000	-	163,280,000	-
Insurance claims payable	-	-	-	-	-	6,873,840
OPEB liability	1,702,106	433,137	691,856	1,073,480	3,900,579	3,084,364
Compensated absences	412,139	3,504	12,883	58,591	487,117	90,930
Net pension liability	9,238,541	1,659,040	2,255,420	2,469,200	15,622,201	5,482,732
Derivative instruments-energy risk management	265,113	-	-	-	265,113	-
Total other liabilities	<u>480,653,144</u>	<u>102,232,860</u>	<u>114,412,190</u>	<u>13,008,421</u>	<u>710,306,615</u>	<u>42,736,999</u>
Total Liabilities	<u>538,154,976</u>	<u>113,428,911</u>	<u>128,365,552</u>	<u>16,913,798</u>	<u>796,863,237</u>	<u>71,715,487</u>
Deferred Inflows of Resources						
Deferred charges on debt refundings	73,067	13,858	50,498	-	137,423	7,844
Deferred charges on pensions	856,804	153,863	209,173	229,000	1,448,840	508,482
Deferred charges on derivatives	553,669	-	-	-	553,669	-
Total deferred inflows of resources	<u>1,483,540</u>	<u>167,721</u>	<u>259,671</u>	<u>229,000</u>	<u>2,139,932</u>	<u>516,326</u>
NET POSITION						
Net investment in capital assets	165,591,695	84,972,176	138,621,356	19,485,546	408,670,773	34,153,434
Restricted for:						
Debt service	-	3,141,947	4,159,550	-	7,301,497	-
Rate mitigation	179,449,020	-	-	-	179,449,020	-
Unrestricted	<u>7,942,532</u>	<u>13,317,589</u>	<u>20,433,736</u>	<u>5,073,044</u>	<u>46,766,901</u>	<u>17,068,263</u>
Total net position	<u>\$ 352,983,247</u>	<u>\$ 101,431,712</u>	<u>\$ 163,214,642</u>	<u>\$ 24,558,590</u>	<u>642,188,191</u>	<u>\$ 51,221,697</u>
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.					<u>14,516,145</u>	
Net position of business type activities					<u>\$ 656,704,336</u>	

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2017

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 279,846,202	\$ 63,623,236	\$ 44,237,184	\$ 28,766,673	\$ 416,473,295	\$ 52,027,124
Insurance premiums	-	-	-	-	-	34,851,633
Other	606,519	338,728	106,793	233,797	1,285,837	1,250,737
Total Operating Revenues	280,452,721	63,961,964	44,343,977	29,000,470	417,759,132	88,129,494
OPERATING EXPENSES:						
Salaries and benefits	25,833,679	5,143,653	8,603,344	10,443,111	50,023,787	21,895,437
Demand charges	39,238,135	-	-	-	39,238,135	-
Amortization of other assets	36,547,642	-	-	-	36,547,642	-
Energy and fuel purchases	123,502,208	-	-	-	123,502,208	-
Water purchases	-	33,248,412	-	-	33,248,412	-
Landfill fees	-	-	-	3,380,308	3,380,308	-
Maintenance, repairs, and other	11,074,271	4,268,573	8,063,419	7,831,372	31,237,635	19,259,756
Insurance and other expenses	2,647,610	580,793	767,863	637,006	4,633,272	-
General and administrative	13,898,390	4,558,277	4,471,710	2,325,020	25,253,397	6,158,905
Capitalized general and administrative	-	(242,285)	(331,490)	-	(573,775)	-
Premiums	-	-	-	-	-	6,629,521
Claims	253,336	65,605	102,949	128,182	550,072	22,228,939
Administrative services	-	-	-	-	-	1,381,899
Depreciation	15,067,397	7,762,669	12,937,857	3,618,030	39,385,953	8,056,018
Total Operating Expenses	268,062,668	55,385,697	34,615,652	28,363,029	386,427,046	85,610,475
Total Operating Income	\$ 12,390,053	\$ 8,576,267	\$ 9,728,325	\$ 637,441	\$ 31,332,086	\$ 2,519,019
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	\$ 609,323	\$ -	\$ -	\$ 274,827	\$ 884,150	\$ -
Gain (loss) on disposal of capital assets	(3,553,773)	23,156	-	345,422	(3,185,195)	748,224
Gain on derivative instruments	48,946	-	-	-	48,946	-
Other	110,000	-	-	-	110,000	-
Investment income	1,678,712	84,810	170,936	27,325	1,961,783	280,120
Interest expense	(12,322,745)	(3,121,699)	(2,826,300)	(102,012)	(18,372,756)	(1,049,810)
Income (loss) before transfers and contributions	(1,039,484)	5,562,534	7,072,961	1,183,003	12,779,014	2,497,553
Capital contributions	11,450	2,098,607	1,003,584	-	3,113,641	-
TRANSFERS						
Transfers in	1,882,450	2,410,000	-	500,000	4,792,450	826,853
Transfers out	(21,602,226)	(6,388,856)	(5,832,493)	(1,128,793)	(34,952,368)	(402,871)
Net transfers	(19,719,776)	(3,978,856)	(5,832,493)	(628,793)	(30,159,918)	423,982
NET INCOME (LOSS)	(20,747,810)	3,682,285	2,244,052	554,210	(14,267,263)	2,921,535
Net position, beginning of year	373,731,057	97,749,427	160,970,590	24,004,380	656,455,454	48,300,162
Net position, end of year	\$ 352,983,247	\$ 101,431,712	\$ 163,214,642	\$ 24,558,590	642,188,191	\$ 51,221,697

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal service funds is reported with business type activities

1,297,060

Change in net position of business-type activities

\$ (12,970,203)

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2017

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 273,957,047	\$ 62,210,932	\$ 39,596,426	\$ 28,589,638	\$ 404,354,043	\$ 85,010,818
Cash received for customer deposit	503,131	-	-	-	503,131	652,367
Cash paid to suppliers	(187,916,759)	(42,158,964)	(13,003,844)	(14,328,416)	(257,407,983)	(55,649,827)
Cash paid to employees for services	(23,413,028)	(4,719,607)	(8,005,602)	(9,817,904)	(45,956,141)	(20,439,845)
Cash from other sources	110,000	-	-	-	110,000	-
Other operating revenues	606,519	338,728	106,793	233,798	1,285,838	1,250,736
Net cash provided by operations	63,846,910	15,671,089	18,693,773	4,677,116	102,888,888	10,824,249
Cash flows from noncapital financing activities:						
Due from other funds increase	-	-	-	29,758	29,758	-
Due to other funds increases (decreases)	(33,575)	-	-	(206,148)	(239,723)	418,106
Intergovernmental	-	-	-	69,568	69,568	-
Transfers in	1,882,450	2,410,000	-	500,000	4,792,450	826,853
Transfers out	(21,602,226)	(6,388,856)	(5,832,493)	(1,128,793)	(34,952,368)	(402,871)
Net cash provided by (used for) noncapital financing activities	(19,753,351)	(3,978,856)	(5,832,493)	(735,615)	(30,300,315)	842,088
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	3,455,000	3,455,000	575,000
Refunding bonds	54,495,000	21,615,000	24,370,000	15,000	100,495,000	4,955,000
Premium on issuance of debt	5,738,959	3,003,977	3,501,599	367,248	12,611,783	835,034
Commercial paper	163,385,000	4,000,000	16,000,000	-	183,385,000	-
Acquisition and construction of capital assets	(109,914,745)	(12,956,699)	(20,409,647)	(3,938,458)	(147,219,549)	(14,939,600)
Principal paid on:						
Revenue bonds	(9,180,000)	(5,670,000)	(7,805,000)	-	(22,655,000)	-
Certificates of obligation	(11,830,000)	-	-	(2,365,000)	(14,195,000)	(2,145,000)
General obligation bonds	(5,625,000)	(800,000)	(2,460,000)	-	(8,885,000)	(170,000)
Payment to escrow agent	(19,678,928)	(24,632,357)	(27,916,396)	(15,585)	(72,243,266)	(5,709,246)
Commercial paper	(110,015,000)	-	-	-	(110,015,000)	-
Interest paid on:						
Revenue bonds	(8,475,428)	(3,595,290)	(4,154,319)	-	(16,225,037)	-
Certificates of obligation	(8,031,269)	-	-	(408,011)	(8,439,280)	(1,022,031)
General obligation bonds	(1,018,454)	(147,769)	(469,436)	-	(1,635,659)	(169,612)
Commercial paper	(1,605,755)	(326,772)	(315,727)	-	(2,248,254)	-
Bond issue expense	321,979	371,972	436,075	229	1,130,255	98,035
Gain on derivative instruments	48,946	-	-	-	48,946	-
Contributions	-	329,178	233,859	-	563,037	-
Proceeds from sales of assets	1,567,969	23,156	-	345,422	1,936,547	786,784
Net cash used for capital and related financing activities	(59,816,726)	(18,785,604)	(18,988,992)	(2,544,155)	(100,135,477)	(16,905,636)

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2017

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from investing activities:						
Purchase of investment securities	(58,772,156)	(4,543,496)	(6,866,970)	(2,463,413)	(72,646,035)	(11,845,282)
Proceeds from sale and maturities of investment securities	81,979,860	3,391,642	7,752,901	1,952,900	95,077,303	16,821,951
Interest received on investments	1,453,185	85,205	172,612	26,682	1,737,684	284,517
Net cash provided by (used for) investing activities	<u>24,660,889</u>	<u>(1,066,649)</u>	<u>1,058,543</u>	<u>(483,831)</u>	<u>24,168,952</u>	<u>5,261,186</u>
Net increase (decrease) in cash and cash equivalents	8,937,722	(8,160,020)	(5,069,169)	913,515	(3,377,952)	21,887
Cash and cash equivalents at beginning of the year	60,592,192	14,062,978	16,968,454	2,720,208	94,343,832	22,898,763
Cash and cash equivalents at end of the year	<u>\$ 69,529,914</u>	<u>\$ 5,902,958</u>	<u>\$ 11,899,285</u>	<u>\$ 3,633,723</u>	<u>\$ 90,965,880</u>	<u>\$ 22,920,650</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	\$ 12,390,053	\$ 8,576,267	\$ 9,728,325	\$ 637,441	\$ 31,332,086	\$ 2,519,019
Adjustments:						
Depreciation expense	15,067,397	7,762,669	12,937,857	3,618,030	39,385,953	8,056,018
Amortization of other assets	36,191,612	-	-	-	36,191,612	-
Miscellaneous nonoperating income	110,000	-	-	-	110,000	-
Change in allowance for uncollectible accounts	(33,016)	20,750	20,603	15,743	24,080	-
Change in assets and liabilities						
Increase in pension related deferred outflows	2,449,026	439,792	597,884	654,555	4,141,257	1,453,408
Increase in accounts receivable	(5,856,139)	(1,433,054)	(4,661,361)	(222,536)	(12,173,090)	(1,867,940)
Increase in inventory	(41,436)	-	-	(36,897)	(78,333)	(336,835)
Increase in net pension liability	213,289	38,302	52,071	57,005	360,667	126,577
Decrease in other prepaid expense	261,764	-	-	13,718	275,482	53,606
Increase in accounts payable	2,938,127	344,806	110,515	56,801	3,450,249	254,003
Increase (decrease) in compensated absences	31,331	(5,024)	14,433	(13,391)	27,349	37,618
Increase in customer deposits	503,131	-	-	-	503,131	652,367
Increase (decrease) in OPEB payable	(105,235)	(24,395)	(39,908)	(30,390)	(199,928)	256,366
Decrease in insurance claims payable	-	-	-	-	-	(217,946)
Decrease in pension related deferred inflows	(272,994)	(49,024)	(66,646)	(72,963)	(461,627)	(162,012)
Total adjustments	<u>51,456,857</u>	<u>7,094,822</u>	<u>8,965,448</u>	<u>4,039,675</u>	<u>71,556,802</u>	<u>8,305,230</u>
Net cash provided by operating activities	<u>\$ 63,846,910</u>	<u>\$ 15,671,089</u>	<u>\$ 18,693,773</u>	<u>\$ 4,677,116</u>	<u>\$ 102,888,888</u>	<u>\$ 10,824,249</u>
Noncash investing, capital and financing activities:						
Contributions from developers	11,450	2,098,607	1,003,584	-	3,113,641	-
Increase in fair market value of investments	460,327	19,388	40,207	13,594	533,516	84,558
Change in restricted accounts payable	6,378,088	(468,344)	(1,490,958)	(142,145)	4,276,641	(3,170,174)

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2017

	Other Post Employment Benefits Trust Fund
Assets	
Investments:	
Equity mutual funds	\$ 2,084,295
Fixed income mutual funds	1,929,596
Money market fund	122,435
Total investments	4,136,326
Total assets	\$ 4,136,326
Net Position	
Held in trust for other post employment benefits and other purposes	4,136,326
Total net position	\$ 4,136,326

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2017

	Other Post Employment Benefits Trust Fund
Additions	
Earnings from investments	\$ 397,642
Employer contributions	4,430,208
Retiree contributions	3,051,266
Total additions	7,879,116
 Deductions	
Administrative expenses	19,956
Payments to beneficiaries	6,731,474
Total deductions	6,751,430
Change in net position	1,127,686
Net position, beginning of year	3,008,640
Net position, end of year	\$ 4,136,326

The notes to the financial statements are an integral part of this statement.

City of Garland, Texas
Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and eight-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Discretely Presented Component Unit

The Garland Housing Finance Corporation (GHFC) was organized to finance the cost of residential ownership and development that will provide decent, safe and sanitary housing for residents of the City at affordable prices. GHFC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. GHFC is reported as a proprietary entity and maintains their accounts on an accrual basis of accounting. On October 1, 2012, GHFC hired an outside accounting firm to conduct their bookkeeping and accounting. The financial information for GHFC is included in the statements for the period of January 1, 2016 through December 31, 2016. Complete separate December 31, 2016 financial statements for GHFC may be obtained from the City.

Blended Component Unit

The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. The City Council serves as the board members for GFFD and the Assistant City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major enterprise golf fund.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

City of Garland, Texas
Notes to the Financial Statements (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers sales tax revenue to be available if they are collected within 30 days of the end of the current fiscal period and all other revenues available if they are collected within 60 days of the end of the annual fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Grant revenues are recognized as revenues when all eligibility requirements are met.

Property taxes, franchise fees, licenses, mowing liens, sales taxes, EMS fees, court fines, and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are available as defined above. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

City of Garland, Texas
Notes to the Financial Statements (Continued)

The City reports the following major proprietary funds:

The Electric Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide electric service for the residents of the City.

The Water Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide water service for the residents of the City.

The Sewer Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide wastewater treatment service for the residents of the City.

Additionally, the City reports the following fund categories:

Special revenue funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These specific revenue sources are Community Development Block Grants, Housing Assistance Grants, Neighborhood Services Grants and Funding, Hotel/Motel Tax, Impact Fees, Landfill Closure Funding, Police Training, Substandard Perimeter Road Funding, Narcotic Seizure Funding, and Tax Increment Finance funds.

The City's nonmajor enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing goods and services to the general public on a continuing basis will be financed or recovered through user charges. These funds are the Golf Fund, the Heliport Fund, the Storm Water Management Fund, the Parks Performance Fund, and the Sanitation Fund.

Internal service funds account for group health, self-insurance, long-term disability, fleet services, vehicle replacement, information technology, facilities management, warehouse, and customer services to other departments of the City on a cost reimbursement basis.

The Other Post-Employment Benefits trust fund accounts for the activities of the trust fund which accumulates resources for OPEB related benefits, and is excluded from the government-wide financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's electric, water, sewer, sanitation, and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position or equity

1. *Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and the City Council approved investment policy authorize the City to invest in obligations of the Agencies and Instrumentalities of the U.S. Treasury, commercial paper, FDIC insured Certificates of Deposit, repurchase agreements, reverse repurchase agreements, SEC registered no-load money market mutual funds, and investment pools.

The deposits and investments of the OPEB trust fund are held separately from those of other City funds by an outside trustee appointed by the City.

Investments for the primary government, as well as for its component units, are reported at fair value. The Texpool and TexStar investment pools operate in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

City of Garland, Texas
Notes to the Financial Statements (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts for utility billing is estimated based on collection experience. All other allowance for uncollectible accounts is based on accounts outstanding in excess of 360 days of the invoice date and collection experience. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last five years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established by the Dallas Central Appraisal District at 100% of estimated market value. Property taxes attach an enforceable lien on property as of January 1. Taxes are due immediately following the October 1 levy date and are considered delinquent after January 31 of the following year. Penalty and interest are charged at 7% on delinquent taxes beginning February 1 and increases each month to 18% on July 1. After all collection efforts have failed, the City files suit to collect the delinquent taxes.

In Texas, countywide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews by the appraisal district through various appeals and, if necessary, legal action. Under this system the City sets tax rates on property within the City. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

3. *Inventories and prepaid items*

All inventories are valued at average cost and consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are accounted for under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain proceeds of the City's general obligation bonds, certificates of obligation, and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet or statement of net position because their use is limited by applicable bond covenants or they are maintained in separate bank accounts due to City Charter requirements. The "rate mitigation" account is used to report resources set aside to subsidize potential deficiencies from Electric Fund operations that could adversely affect rates that are charged to customers. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets.

City of Garland, Texas
Notes to the Financial Statements (Continued)

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as tangible or intangible assets used in operations with an initial useful life in excess of one year. Capital asset values are established on a department by department basis where the initial asset cost is \$5,000 and above.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value for buildings excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond 40 years. The reported value for infrastructure includes all upgrades and is depreciated over a useful life of 15-45 years. In the case of contributed assets, the City values these capital assets at the acquisition value of the item at the date of its contribution.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed. The total interest expense by the City during the current year was \$28,361,658. Of this amount, \$2,418,937 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 – 40
Improvements other than buildings	5 – 15
Equipment	2 – 10
Systems and Infrastructure	15 – 45

6. Compensated absences

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees are reimbursed upon termination for accumulated vacation and only non-exempt employees are reimbursed for compensatory time. Employees are not reimbursed upon termination for accumulated sick leave except for police and firefighters who are reimbursed up to a maximum of 90 days accumulated sick leave. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements.

City of Garland, Texas
Notes to the Financial Statements (Continued)

7. Long-term obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

8. Classifications of Fund balance

Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund classifications are as follows:

Nonspendable – The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted – The portion of fund balance that is restricted for specific purposes due to constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – The portion of fund balance that can only be used for specific purposes by the City's highest level of decision-making authority, the City Council, and are imposed by the City Council through an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until an ordinance is imposed to remove or revise the limitation.

Assigned – The portion of the fund balance that is constrained by the City's intent for specific purposes, but are not restricted or committed. In fund balance policy, the City Council delegates authority to the Director of Finance or the Director of Finance's designee to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned – The portion of the fund balance that is not restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned funds balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, if expenditures incurred for specific purposes exceed the amounts that are not restricted, committed, or assigned to this purpose, it may be necessary to report a negative fund balance in that fund.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

City of Garland, Texas
Notes to the Financial Statements (Continued)

In order to remain financially strong and provide a framework for prudent financial management, the City maintains a minimum unassigned fund balance goal in the General fund of 30 days of budget-based operating expenditures.

Fund balances for governmental activities as of September 30, 2017 are:

<i>Fund Balance</i>	<i>General Fund</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Restricted:					
General government	\$ 762,777	\$ -	\$ -	\$ 619,178	\$ 1,381,955
Debt service	-	6,298,049	-	-	6,298,049
Parks construction	-	-	961,391	-	961,391
Streets and drainage	-	-	11,292,276	-	11,292,276
Public facilities	-	-	38,207,888	-	38,207,888
Other capital projects	-	-	828,678	-	828,678
Housing assistance	-	-	-	1,176,106	1,176,106
Public safety	-	-	-	567,248	567,248
Total Restricted	762,777	6,298,049	51,290,233	2,362,532	60,713,591
Committed:					
Neighborhood services	-	-	-	512,220	512,220
Culture and recreation	-	-	-	2,531,681	2,531,681
Landfill closure	-	-	-	25,932	25,932
Public works and infrastructure	-	-	-	6,628,149	6,628,149
Total Committed	-	-	-	9,697,982	9,697,982
Assigned:					
General government	3,480,000	-	-	-	3,480,000
Total Assigned	3,480,000	-	-	-	3,480,000
Unassigned	30,955,648	-	-	-	30,955,648
Total fund balance	\$ 35,198,425	\$ 6,298,049	\$ 51,290,233	\$ 12,060,514	\$ 104,847,221

9. Fund net position

In the fund financial statements, proprietary funds report restricted net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

City of Garland, Texas
Notes to the Financial Statements (Continued)

10. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refunding – The deferred charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.
- Pension contributions subsequent to measurement date – The deferred charges result from pension contributions made after the measurement date of the pension plan to the current fiscal year end. These charges will be recognized in the subsequent fiscal year end.
- Difference in projected and actual earnings on pension assets – The difference is deferred and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Difference in assumption changes – difference is deferred and amortized over estimated average remaining lives of all members determined as of measurement date.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Fair value of energy risk derivatives – The deferred charge represents fuel swap hedging activity and is calculated as the difference between the closing futures price at the end of the reporting period, and the futures price at the time the positions were established.
- Deferred charges on refunding – The deferred charge results from the difference in carry value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.
- Difference in expected and actual economic experience – The difference is deferred and will be amortized as a component of pension expense over the estimated average remaining lives of all members determined as of measurement date.

11. *New accounting principles*

The City implemented the following new GASB standards during the fiscal year ended September 30, 2017:

The GASB has issued Statement No. 77, “*Tax Abatement Disclosures*” (“GASB 77”), which will be effective in fiscal year 2017. This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. The implementation of this statement resulted in note disclosures that can be found on pages 84-85.

City of Garland, Texas Notes to the Financial Statements (Continued)

The GASB has issued Statement No. 78, *"Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans"* ("GASB 78"), which will be effective in fiscal year 2017. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

The GASB has issued Statement No. 79, *"Certain External Investment Pools and Pool Participants"* ("GASB 79"), which will be effective in fiscal year 2017. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement allows governments to continue amortized cost accounting for certain investment pools. The implementation of this statement resulted in note disclosures that can be found on pages 52-53.

The GASB has issued Statement No. 80, *"Blending Requirements for Certain Component Units"* ("GASB 80"), which will be effective in fiscal year 2017. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The GASB has issued Statement No. 82, *"Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73"* ("GASB 82"), which will be effective in fiscal year 2017 except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this statement is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB issued the following new accounting standards that are expected to be implemented by the City in future years:

The GASB has issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"* ("GASB 74"), which will be effective in fiscal year 2018. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose financial statements. The City's OPEB plan year end is December 31.

The GASB has issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension"* ("GASB 75"), which will be effective in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 81, *"Irrevocable Split-Interest Agreements"* ("GASB 81"), which will be effective in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City has not yet evaluated the impact of the implementation of this standard.

City of Garland, Texas
Notes to the Financial Statements (Continued)

The GASB has issued Statement No. 83, *“Certain Asset Retirement Obligations”* (“GASB 83”), which will be effective in fiscal year 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 84, *“Fiduciary Activities”* (“GASB 84”), which will be effective in fiscal year 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 85, *“Omnibus 2017”* (GASB 85), which will be effective in fiscal year 2018. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 86, *“Certain Debt Extinguishment Issues”* (GASB 86), which will be effective in fiscal year 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 87 *“Leases”* (GASB 87), which will be effective in fiscal year 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statements increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance of consistency of information about governments’ leasing activities. The City has not yet evaluated the impact of the implementation of this standard.

City of Garland, Texas
Notes to the Financial Statements (Continued)

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$237,070,000 difference is as follows:

General Obligation bonds – General Government portion	\$175,960,000
Certificates of Obligation – General Government portion	<u>61,110,000</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net position – governmental activities	<u>\$237,070,000</u>

The portion of Certificates of Obligation amounting to \$19,325,000 and a portion of General Obligation amounting to \$5,250,000 was issued for Internal Service fund projects.

City of Garland, Texas
Notes to the Financial Statements (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$4,275,329 difference are as follows:

Debt issued or incurred:	
Issuance of certificate of obligation – Governmental Funds	\$ (14,110,000)
Net premium on issuance of CO bonds	(1,850,079)
Issuance of general obligation bonds – Governmental Funds	(64,805,000)
Net premium on issuance of GO bonds	(8,361,832)
Principal repayments:	
General obligation debt	16,625,000
Certificates of obligation	5,355,000
Refunded debt of general obligation bonds	63,038,619
Amortization of bond premium	2,232,882
Change in landfill closure liability	(1,021,356)
Change in compensated absences liability	(1,378,563)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (4,275,329)

City of Garland, Texas
Notes to the Financial Statements (Continued)

Another element of that reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.” The details of this \$14,667,550 difference are as follows:

Capital outlays	\$ 30,314,161
Developers contributions	3,184,610
General Fund expense outlays	9,127,321
Depreciation expense	(27,698,377)
CIP expense outlays	(2,497)
Proceeds from disposal of assets	(557,911)
Gain on disposals of assets	300,243
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 14,667,550

III. Stewardship, compliance, and accountability

Deficit fund equity

The Self-Insurance Fund deficit of \$2,277,498 is a result of an accrual of claims incurred but not reported of \$1,663,888. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

The Long-Term Disability Insurance Fund deficit of \$1,255,757 is the result of an accrual of claims incurred but not reported of \$2,875,700. This accrual was made on the basis of an actuarial analysis completed in 2016. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

City of Garland, Texas
Notes to the Financial Statements (Continued)

IV. Detailed notes on all funds

A. Deposits and investments

Deposits. State statutes and the City's investment policy require that all uninsured deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2017. Collateral was held by the Federal Reserve Bank in the City name under a joint safekeeping agreement with JP Morgan Chase Bank. The market value of the collateral at the close of the fiscal year was \$30,194,637.

As of September 30, 2017, the carrying amount of the City's deposits was \$16,507,253 and the bank balance was \$18,260,110. These balances include the City's blended component unit (Garland Foundation for Development). On September 30, 2017, the City's bank balance and the balance for GFFD was fully collateralized. Bank balances for the City's discretely presented component unit (Garland Housing Finance Corporation) were fully collateralized and the carrying value of the component unit's deposits was \$936,366.

Investments. State statutes, the City's Investment Policy, and the City Statement of Investment Strategies govern the investments of the City. The City is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, federal agency discount-amortizing notes, federal agency coupon securities, managed pool accounts and Certificates of Deposit.

As of September 30, 2017, the City had the following cash equivalents and investments:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>		<u>% of portfolio</u>	<u>WAM</u>	<u>Rating</u>	<u>Rating Agency</u>
		<u>Level 2</u>					
Federal Farm Credit Bank	\$ 141,210,280	\$ 140,832,624		31.81%	281	AA+/Aaa	S&P/Moody's
Federal Home Loan Bank	68,377,271	68,173,540		15.40%	304	AA+/Aaa	S&P/Moody's
Federal Home Loan Mortgage Corp	63,942,661	63,792,539		14.41%	507	AA+/Aaa	S&P/Moody's
Federal National Mortgage Association	12,502,054	12,459,115		2.81%	378	AA+/Aaa	S&P/Moody's
Certificates of Deposit	37,297,911	-		8.43%	1	N/A	N/A
Investment Pools	120,145,778	-		27.14%	1	AAAm	S&P
Total investment fair value	<u>\$ 443,475,955</u>	<u>\$ 285,257,818</u>		100.00%	214		

Weighted average maturity (WAM) of the portfolio by investment type categories reflected in the previous table is stated in days. The rating agency acronyms are defined as follows: S&P-Standard & Poor's rating agency and Moody's-Moody's Investor Service.

City of Garland, Texas Notes to the Financial Statements (Continued)

Fair Value Measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets and liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are inputs (other than quoted prices within Level 1) that are observable for an asset and liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. For the City, all of the U.S. Government Agency securities and Municipal obligations are classified in Level 2 of the fair value hierarchy and are valued based on their relationship to benchmark quoted prices. Investment Pools and Certificates of Deposit are measured at amortized cost or net asset value and are exempt from fair value reporting.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than five years and a WAM of three years or less. As of September 30, 2017, the WAM for all cash equivalents and investments was 214 days.

Credit risk. The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating organization. The City's investments in U. S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of September 30, 2017.

The City invests in Texpool and Texstar to meet its daily liquidity needs. Texpool and Texstar are local government investment pools (LGIPs) that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. These pools qualify to be valued at amortized cost and have no limitations or restrictions on withdrawals. Texpool and Texstar are funds that allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texpool and Texstar are all rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60 day limit. The City considers the holdings in these funds to have a WAM of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City invests in Certificates of Deposit. The City has entered into custody services agreements with Stone Castle Cash Management and USA Mutuals to act as authorized agents to purchase and manage Certificates of Deposit (CDs) in depository banks. The CDs held at each bank are in the City's name and the CD cannot exceed the FDIC insurance amount. Money can be withdrawn from Stone Castle Cash Management or USA Mutuals with one day notice. The City considers the holding in these CDs to have a weighted average maturity of one day, due to the fact that these funds can be withdrawn with one day notice.

State law limits investments in commercial paper to the top two ratings issued by at least two nationally recognized credit rating agencies. It is the City's policy to limit its investments in these investment types to the top rating issued by national recognized credit rating agencies. As of September 30, 2017, the City held no direct investments in commercial paper.

City of Garland, Texas
Notes to the Financial Statements (Continued)

As of September 30, 2017, the City had the following cash equivalents and investments held by the trust agency Public Agency Retirement Services (PARS) for the OPEB trust fund:

<u>Investment Type</u>	<u>Fair Value</u>
Equity Mutual Funds	\$ 2,084,295
Fixed Income Mutual Funds	1,929,596
Money Market Fund	<u>122,435</u>
 Total investment fair value	 <u>\$ 4,136,326</u>

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:								
Interest	\$ 42,439	\$ 35	\$ 78,772	\$ 29,123	\$ 13,234	\$ 21,741	\$ 66,288	\$ 251,632
Taxes	1,124,553	886,513	-	-	-	-	-	2,011,066
Utility Accounts	170,160	-	-	19,096,014	6,631,068	4,884,279	3,312,564	34,094,085
Mowing Liens	1,057,298	-	-	-	-	-	-	1,057,298
EMS Accounts	5,867,606	-	-	-	-	-	-	5,867,606
Franchise Fee	1,400,963	-	-	-	-	-	-	1,400,963
Sales Tax	4,919,063	-	-	-	-	-	-	4,919,063
Wholesale & Other Accts	3,401,308	2,700	1,691,994	26,957,778	1,473,167	6,230,584	6,191,382	45,948,913
Assessments	16,494	-	-	-	-	-	-	16,494
Gross Receivables	17,999,884	889,248	1,770,766	46,082,915	8,117,469	11,136,604	9,570,234	95,567,120
Less: allowance for uncollectibles	(6,368,646)	(452,281)	-	(559,778)	(125,637)	(79,017)	(170,154)	(7,755,513)
Net total receivables	<u>\$11,631,238</u>	<u>\$ 436,967</u>	<u>\$ 1,770,766</u>	<u>\$ 45,523,137</u>	<u>\$ 7,991,832</u>	<u>\$11,057,587</u>	<u>\$ 9,400,080</u>	<u>\$ 87,811,607</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* in the governmental funds were as follows:

	Unearned
Parks service charges for future events	\$ 122,701
Faulkner receivable	263,768
Grant drawdowns prior to meeting all eligibility requirements	213,051
Homeowner assistance	4,289,961
Other receivables related to capital projects	7,306,992
	\$ 12,196,473

Governmental funds defer revenue recognition in connection with resources that have been earned, but not yet available. These amounts are reported as deferred inflows of resources. At the end of the current fiscal year, the various components of deferred inflows of resources in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (general fund)	\$ 439,728
Delinquent property taxes receivable (debt service fund)	346,649
Sales tax, mowing liens, EMS, & other receivables (general fund)	5,242,298
Other receivables related to capital projects	1,691,994
	\$ 7,720,669

City of Garland, Texas
Notes to the Financial Statements (Continued)

C. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

Primary government

	Balance at Oct. 1, 2016	Increases	Decreases	Balance at Sept. 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 82,446,782	\$ 388,652	\$ -	\$ 82,835,434
Internal service land	221,949	-	-	221,949
Construction in progress	37,629,700	30,178,248	(26,048,498)	41,759,450
Internal service construction in progress	8,127,390	7,221,131	(622,597)	14,725,924
Total capital assets, not being depreciated	<u>128,425,821</u>	<u>37,788,031</u>	<u>(26,671,095)</u>	<u>139,542,757</u>
Capital assets, being depreciated:				
Buildings	118,201,938	3,837,560	-	122,039,498
Improvements other than buildings	464,544,696	25,498,925	-	490,043,621
Machinery and equipment	86,624,432	8,768,707	(4,428,505)	90,964,634
Internal service buildings, improvements, and equipment	104,333,176	5,241,145	(4,062,542)	105,511,779
Total capital assets being depreciated	<u>773,704,242</u>	<u>43,346,337</u>	<u>(8,491,047)</u>	<u>808,559,532</u>
Less accumulated depreciation for:				
Buildings	(45,800,999)	(2,916,597)	-	(48,717,596)
Improvements other than buildings	(354,691,515)	(18,109,364)	-	(372,800,879)
Machinery, furniture, and equipment	(61,270,007)	(6,672,412)	4,170,834	(63,771,585)
Internal service buildings, improvements, and equipment	(58,830,596)	(8,056,020)	4,023,983	(62,862,633)
Total accumulated depreciation	<u>(520,593,117)</u>	<u>(35,754,393)</u>	<u>8,194,817</u>	<u>(548,152,693)</u>
Total capital assets, being depreciated, net	<u>253,111,125</u>	<u>7,591,944</u>	<u>(296,230)</u>	<u>260,406,839</u>
Governmental activities capital assets, net	<u>\$ 381,536,946</u>	<u>\$ 45,379,975</u>	<u>\$ (26,967,325)</u>	<u>\$399,949,596</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

	Balance at Oct. 1, 2016	Increases	Decreases	Balance at Sept. 30, 2017
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 30,847,485	\$ -	\$ (1,539,598)	\$ 29,307,887
Construction in progress	59,933,660	154,465,695	(65,484,839)	148,914,516
Total capital assets, not being depreciated	90,781,145	154,465,695	(67,024,437)	178,222,403
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	1,335,866,849	68,374,422	(27,106,340)	1,377,134,931
Total capital assets being depreciated	1,335,866,849	68,374,422	(27,106,340)	1,377,134,931
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(559,709,756)	(39,385,953)	23,524,195	(575,571,514)
Total accumulated depreciation	(559,709,756)	(39,385,953)	23,524,195	(575,571,514)
Total capital assets, being depreciated, net	776,157,093	28,988,469	(3,582,145)	801,563,417
Business-type activities capital assets, net	\$ 866,938,238	\$183,454,164	\$ (70,606,582)	\$ 979,785,820

City of Garland, Texas
Notes to the Financial Statements (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,485,110
Public safety	3,393,975
Public works	19,654,495
Culture and recreation	3,080,770
Public health	84,025
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	8,056,018
Total depreciation expense – governmental activities	\$ 35,754,393
Business-type activities:	
Electric	\$ 15,067,397
Water	7,762,669
Sewer	12,937,857
Other non-major business-type activities	3,618,030
Total depreciation expense – business-type activities	\$ 39,385,953

The City has identified intangible assets related to right of way easements. These assets have been classified as non-depreciating assets and reported in the same method as land assets.

Construction commitments

The City has active construction projects as of September 30, 2017. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Water System	\$ 11,116,392	\$ 2,174,058
Sewer System	23,182,519	5,787,516
Electric System	7,342,698	685,875
Parks & Recreation	815,009	492,802
Public Safety	159,383	8,389
Municipal Facilities	2,363,543	381,874
Streets and Drainage	21,622,110	11,694,379
Buildings	14,968,170	310,635
Total	\$ 81,569,824	\$ 21,535,528

City of Garland, Texas
Notes to the Financial Statements (Continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2017, is as follows:

Interfund Payable	General Fund	Non-major Enterprise	Total
General Fund	\$ -	\$ 29,758	\$ 29,758
Capital Project Fund	20,878	-	20,878
Internal Service Funds	1,765,125	-	1,765,125
Non-Major Governmental	40,718	-	40,718
	<u>\$ 1,826,721</u>	<u>\$ 29,758</u>	<u>\$ 1,856,479</u>

Interfund balances are created by short-term deficiencies in cash position in individual funds and it is anticipated that these balances will be repaid within one year or less.

The composition of advances to/from at September 30, 2017, is as follows:

Advance Payable	Electric	Total
Internal Service	\$ 3,896,269	\$ 3,896,269

Advances are created by long-term deficiencies in cash position in individual funds. It is not anticipated that these balances will be repaid within one year or less.

City of Garland, Texas
Notes to the Financial Statements (Continued)

During the year, funds were transferred from one fund to support expenditures of another fund in accordance with the authority established for the individual fund. A summary of interfund transfers by fund type is as follows:

	Transfers In								
	General Fund	Debt Service Fund	Capital Project Fund	Non-major Governmental Funds	Electric	Water	Non-major Business- Type Funds	Internal Service Funds	Total Transfers
General	\$ -	\$ -	\$1,813,559	\$ 91,765	\$ 304,901	\$ -	\$500,000	\$ 13,750	\$2,723,975
Debt Service	-	-	7,350,000	-	-	-	-	86,509	7,436,509
Capital Project	5,400,000	-	-	-	1,504,285	-	-	25,000	6,929,285
Non-major Governmental	209,000	-	-	-	-	2,410,000	-	-	2,619,000
Electric	20,698,636	230,380	-	-	-	-	-	673,210	21,602,226
Water	6,257,104	131,752	-	-	-	-	-	-	6,388,856
Sewer	5,670,240	133,869	-	-	-	-	-	28,384	5,832,493
Non-major Business-Type	956,405	172,388	-	-	-	-	-	-	1,128,793
Internal Service	-	16,932	312,675	-	73,264	-	-	-	402,871
	\$39,191,385	\$685,321	\$9,476,234	\$ 91,765	\$1,882,450	\$2,410,000	\$500,000	\$ 826,853	\$55,064,008

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations; in-lieu-of franchise fees and ad valorem taxes transferred to the General Fund by Water, Wastewater, and Solid Waste; return on investment transferred to the General Fund from the Electric Fund; debt service transfers for payment of principal and interest as these payments are due; and other miscellaneous transfers in accordance with budgetary authorizations.

City of Garland, Texas
Notes to the Financial Statements (Continued)

E. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2017, is as follows:

	Balance at Oct. 1, 2016	Increased	Retired	Balance at Sept. 30, 2017	Due within one year
Governmental activities:					
General obligation bonds	\$ 178,770,000	\$ 69,760,000	\$ (67,320,000)	\$ 181,210,000	\$ 19,305,000
Certificates of obligation	89,310,000	14,685,000	(23,560,000)	80,435,000	7,810,000
Unamortized premium and defeased debt costs	9,941,129	11,046,944	(3,886,070)	17,102,003	-
Landfill post closure cost	11,535,056	1,021,356	-	12,556,412	-
Compensated absences	20,229,454	2,964,025	(1,547,845)	21,645,634	8,737,667
Insurance claims payable	12,020,174	22,207,679	(22,425,625)	11,802,228	4,928,388
OPEB liability	17,567,447	4,297,505	(2,726,013)	19,138,939	-
Net pension liability	40,864,821	965,735	-	41,830,556	-
Governmental activities Long-term debt	<u>\$ 380,238,081</u>	<u>\$ 126,948,244</u>	<u>\$ (121,465,553)</u>	<u>\$ 385,720,772</u>	<u>\$ 40,781,055</u>
Business-type activities:					
Utility System revenue bonds	\$ 337,830,000	\$ 87,075,000	\$ (78,510,000)	\$ 346,395,000	\$ 24,545,000
General obligation bonds	36,660,000	13,420,000	(23,235,000)	26,845,000	8,740,000
Certificates of obligation	178,120,000	3,455,000	(14,210,000)	167,365,000	15,225,000
Unamortized premium and defeased debt costs	30,432,193	12,611,783	(8,387,371)	34,656,605	-
Commercial Paper	89,910,000	203,385,000	(130,015,000)	163,280,000	-
Derivative instruments-energy risk management	116,248	265,113	(116,248)	265,113	-
Compensated absences	2,911,430	513,091	(485,742)	2,938,779	2,451,662
OPEB liability	4,100,507	1,504,265	(1,704,193)	3,900,579	-
Net pension liability	15,261,534	360,667	-	15,622,201	-
Business-type activities Long-term debt	<u>\$ 695,341,912</u>	<u>\$ 322,589,919</u>	<u>\$ (256,663,554)</u>	<u>\$ 761,268,277</u>	<u>\$ 50,961,662</u>

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end \$5,250,000 of general obligation bond debt, \$19,325,000 of certificates of obligation, \$905,938 of compensated absences, \$1,063,864 of unamortized premium costs, \$3,084,364 of OPEB liabilities, and \$5,482,732 of net pension liability from the Internal Service Funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences, OPEB, and net pension liabilities. Also, for the governmental activities, compensated absences and OPEB Claims Payable are generally liquidated by the General Fund.

City of Garland, Texas
Notes to the Financial Statements (Continued)

The proceeds of \$14,685,000 from the sale of certificates of obligation and \$69,760,000 of refunded general obligation bonds for governmental activities are reported as follows:

<u>Fund</u>	Certificates of Obligation	General Obligation Debt	Total Bonded Debt
Capital Project Fund – proceeds from issuance of debt	\$14,110,000	\$ 9,380,000	\$ 23,490,000
Internal Service Fund statement of cash flows – proceeds from sale	575,000	4,955,000	5,530,000
Debt Service Fund – issuance of refunding bonds	-	55,425,000	55,425,000
Total	<u>\$14,685,000</u>	<u>\$ 69,760,000</u>	<u>\$ 84,445,000</u>

A summary of short-term debt transactions for the year ended September 30, 2017, is as follows:

	Balance at October 1, 2016	Increased	Retired	Balance at September 30, 2017
<u>Governmental activities:</u>				
Commercial Paper	\$ 10,000,000	\$ -	\$ (10,000,000)	\$ -
Governmental activities short-term debt	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ (10,000,000)</u>	<u>\$ -</u>

Commercial paper notes (CP) are short-term instruments that have maturities ranging from 1 to 270 days. Interest is paid at maturity but principal is rolled forward by issuing new CP. This process continues, typically for three years, until general obligation bonds (GOs) are issued to refinance outstanding CP. Only after GOs are issued do principal payments begin. The combined amortization of the CP and the GOs is set to not exceed 20 years. Utilization of CP enables the City to lower overall debt payments due to the deferral of principal payments and by taking advantage of lower interest rates. CP is only issued as the funds are required throughout the year. Only projects that have been approved as part of a bond referendum may be funded by GO commercial paper.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Long-term debt at September 30, 2017, includes the following individual issues (not including the unamortized premium costs of \$51,758,608):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	\$ 67,385,000	\$ 67,385,000	\$ -
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	54,265,000	3,495,000
2011A Refunding	2.00 – 4.00	11/01/2011	2/15/2024	17,995,000	9,815,000	8,180,000
2011B Refunding	2.00 – 5.00	11/01/2011	2/15/2028	41,360,000	3,320,000	38,040,000
2013 Refunding	2.00 – 4.00	6/06/2013	2/15/2019	12,280,000	10,320,000	1,960,000
2014 Refunding	2.00 – 3.00	2/20/2014	2/15/2022	18,450,000	7,780,000	10,670,000
2014A Refunding	3.00 – 5.00	11/20/2014	2/15/2020	34,215,000	14,385,000	19,830,000
2015A Refunding	2.00 – 5.00	2/19/2015	2/15/2035	22,695,000	1,115,000	21,580,000
2015B Refunding	2.00 – 2.55	2/19/2015	2/15/2025	22,490,000	900,000	21,590,000
2016 Refunding	5.00	12/14/2016	2/15/2027	42,040,000	470,000	41,570,000
2017 Refunding	2.00 – 5.00	6/13/2017	2/15/2035	41,140,000	-	41,140,000
				<u>\$ 377,810,000</u>	<u>\$ 169,755,000</u>	<u>\$ 208,055,000</u>
Certificates of Obligation:						
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	16,975,000	-
2008 Various purpose	3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	14,920,000	1,045,000
2009 Various purpose	3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	7,190,000	15,795,000
2010 Electric utility	2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	4,805,000	122,080,000
2010 Various purpose	2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	1,555,000	1,650,000
2011 Various purpose	2.00 – 4.25	6/15/2011	2/15/2031	4,260,000	2,265,000	1,995,000
2012 Various purpose	2.00 – 3.375	6/01/2012	2/15/2032	6,755,000	3,865,000	2,890,000
2013 Various purpose	2.00 – 4.00	6/06/2013	2/15/2033	12,725,000	4,740,000	7,985,000
2014 Various purpose	2.00 – 4.00	6/19/2014	2/15/2034	13,475,000	4,880,000	8,595,000
2015 Various purpose	2.50 – 5.00	6/30/2015	2/15/2035	18,205,000	2,985,000	15,220,000
2015 Electric utility	5.00 – 5.00	8/27/2015	2/15/2020	53,870,000	20,000,000	33,870,000
2016 Various purpose	2.00 – 5.00	6/01/2016	2/15/2036	20,210,000	1,675,000	18,535,000
2017 Various purpose	2.00 – 5.00	6/13/2017	2/15/2037	18,140,000	-	18,140,000
				<u>\$ 333,655,000</u>	<u>\$ 85,855,000</u>	<u>\$247,800,000</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Utility system revenue bonds:						
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	\$ 21,050,000	\$ 21,050,000	\$ -
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	29,070,000	-
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	3,815,000	6,300,000
2008 Water & Sewer	3.00 – 5.25	6/15/2008	3/01/2028	39,900,000	37,880,000	2,020,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	6,900,000	4,860,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	5,800,000	12,290,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	5,345,000	15,925,000
2011 Electric Utility	2.00 – 5.00	6/15/2011	3/01/2031	7,185,000	750,000	6,435,000
2011 Water & Sewer	2.00 – 5.00	6/15/2011	3/01/2031	19,205,000	1,715,000	17,490,000
2011A Electric Utility	3.00 – 5.00	11/01/2011	3/01/2024	20,830,000	7,795,000	13,035,000
2011A Water & Sewer	3.00 – 5.00	11/01/2011	3/01/2024	30,150,000	11,200,000	18,950,000
2012 Water & Sewer	2.00 – 4.00	6/01/2012	3/01/2032	8,415,000	1,710,000	6,705,000
2013 Electric Utility	2.00 – 2.25	6/06/2013	3/01/2025	11,790,000	2,175,000	9,615,000
2013 Water & Sewer	3.00 – 3.375	6/06/2013	3/01/2033	29,925,000	5,685,000	24,240,000
2014 Electric Utility	2.00 – 5.00	6/30/2014	3/01/2034	85,305,000	7,410,000	77,895,000
2014 Water & Sewer	3.00 – 3.375	6/19/2014	3/01/2034	38,175,000	7,000,000	31,175,000
2015 Electric Utility	2.00 – 5.00	2/19/2015	3/01/2025	15,355,000	2,940,000	12,415,000
2016A Electric Utility	2.00 – 5.00	12/14/2016	3/01/2026	12,055,000	30,000	12,025,000
2016B Electric Utility	4.00 – 5.00	12/14/2016	3/01/2037	36,875,000	-	36,875,000
2016 Water & Sewer	3.00 – 5.00	12/14/2016	3/01/2027	16,715,000	-	16,715,000
2017 Water & Sewer	4.00 – 5.00	6/13/2017	3/01/2028	21,430,000	-	21,430,000
				<u>\$ 504,665,000</u>	<u>\$158,270,000</u>	<u>\$346,395,000</u>

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes						
2016 Tax anticipation	1.15	9/29/2016	3/01/2017	\$ 7,350,000	\$ 7,350,000	\$ -
2017 Tax anticipation	1.15	9/28/2017	3/01/2018*	8,305,000	-	8,305,000
				<u>\$ 15,655,000</u>	<u>\$ 7,350,000</u>	<u>\$ 8,305,000</u>

*The City considers this short-term. The notes were called and final payment was made on February 15, 2018.

City of Garland, Texas
Notes to the Financial Statements (Continued)

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2014 Electric Commercial Paper Issue	0.88	8/14/2017	10/10/2017	70,000,000	40,105,000	29,895,000
2016 Electric Commercial Paper Issue	1.096	9/29/2016	05/31/2019	93,385,000	-	93,385,000
2015 Water/Sewer Commercial Paper Issue	0.88	8/15/2017	10/11/2017	10,000,000	-	10,000,000
2015 Water/Sewer Commercial Paper Issue	0.87	9/07/2017	11/08/2017	30,000,000	-	30,000,000
				<u>\$ 203,385,000</u>	<u>\$ 40,105,000</u>	<u>\$163,280,000</u>

Commercial paper notes (CP) related to the enterprise funds are considered long-term instruments. Interest is paid at maturity but principal is rolled forward by issuing new CP. This process continues, typically for three years, until revenue bonds are issued to refinance outstanding CP. Only after revenue bonds are issued do principal payments begin. The combined amortization of the revenue bonds is set to not exceed 20 years. Utilization of CP enables the City to lower overall debt payments due to the deferral of principal payments and by taking advantage of lower interest rates. CP is only issued as the funds are required throughout the year. Only projects that have been approved as part of a bond referendum may be revenue commercial paper.

City of Garland, Texas
Notes to the Financial Statements (Continued)

The annual requirements to amortize outstanding debt as of September 30, 2017, including interest payments of \$232,229,314 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and are excluded from the summary:

Governmental Activities				
Years Ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2018	\$ 19,305,000	\$ 7,224,141	\$ 7,810,000	\$ 3,323,840
2019	19,525,000	6,377,023	7,105,000	2,905,756
2020	20,265,000	5,519,548	6,925,000	2,605,206
2021	19,540,000	4,710,498	7,100,000	2,298,581
2022	18,620,000	3,955,623	6,945,000	1,991,956
2023-2027	62,375,000	10,016,144	28,935,000	5,806,446
2028-2032	14,810,000	2,063,441	12,475,000	1,403,941
2033-2037	6,770,000	319,959	3,140,000	225,272
Total	\$181,210,000	\$ 40,186,377	\$ 80,435,000	\$ 20,560,998

Business-type Activities						
Years Ending September 30,	Revenue Bonds		General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 24,545,000	\$ 15,187,823	\$ 8,740,000	\$ 1,119,000	\$ 15,225,000	\$ 7,923,709
2019	25,280,000	14,178,926	7,675,000	712,075	16,830,000	7,148,550
2020	26,355,000	13,100,129	6,750,000	352,650	17,625,000	6,302,500
2021	27,500,000	11,930,494	2,990,000	109,150	9,660,000	5,623,325
2022	28,695,000	10,668,316	675,000	17,525	10,575,000	5,119,975
2023-2027	119,085,000	35,179,701	10,000	2,250	56,710,000	17,477,225
2028-2032	66,265,000	14,042,688	5,000	75	40,740,000	3,123,500
2033-2037	28,670,000	2,162,353	-	-	-	-
Total	\$346,395,000	\$116,450,430	\$ 26,845,000	\$ 2,312,725	\$167,365,000	\$ 52,718,784

City of Garland, Texas
Notes to the Financial Statements (Continued)

At September 30, 2017, the City has authorized but unissued general obligation bonds and general obligation commercial paper in the amount of \$110,361,586 as follows:

	Balance at Oct.1, 2016	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2017
Streets Improvements	\$ 73,481,586	\$ 4,197,664	\$ -	\$ 69,283,922
Park Improvements	18,685,000	2,202,927	-	16,482,073
Drainage Improvements	12,575,000	362,873	-	12,212,127
Municipal Facilities	9,170,000	1,410,378	-	7,759,622
Library Improvements	810,000	783,862	-	26,138
Public Safety	2,220,000	987,137	-	1,232,863
Economic Development	3,420,000	55,159	-	3,364,841
	<u>\$ 120,361,586</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 110,361,586</u>

A reconciliation was performed in FY2017 to the authorized but unissued general obligation bonds and it was determined that corrections were necessary. The beginning balances have been restated to correctly reflect the outstanding balances.

General Obligation Refunding Bonds do not impact the authorized but unissued General Obligation bonds. The City intends to retire all general long-term debt, plus interest, from ad valorem taxes and other current revenues. Revenue Bonds, applicable Certificates of Obligation and applicable General Obligation Bonds are reflected in the appropriate Proprietary Fund operation. Current requirements for principal and interest expenses are accounted for in the appropriate Proprietary Fund operation.

The City has pledged future Electric, Water and Sewer utility revenues, net of specified operating expenses, to repay \$250,448,286 in outstanding Electric Utility System Revenue Bonds and \$212,397,144 in outstanding Water & Sewer Utility System Revenue Bonds. Proceeds from the revenue bonds provide financing for the acquisition and construction of various Electric, Water and Sewer assets. The bonds are payable solely from Electric, Water and Sewer net revenues and are payable through 2037. Principal paid and interest incurred for the current year was as follows:

Utility Revenue Bonds	Principal	Interest	Total	Pledged Revenue
Electric	\$ 9,180,000	\$ 8,475,428	\$ 17,655,428	\$ 28,521,602
Water & Sewer	13,475,000	7,749,609	21,224,609	38,688,304

Certificates of Obligation and General Obligation Bonds applicable to Proprietary Fund operations are reflected in the appropriate Enterprise and Internal Service Funds and current requirements for principal and interest expenses are accounted for in the applicable fund. These requirements will be met by current revenues.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Debt issues for the year are as follows:

Issue	Principal	Purpose
Certificates of Obligation, Series 2017	\$ 18,140,000	Constructing, equipping, and improving various facilities in the City, acquiring equipment and vehicles for Firewheel golf course, the environmental waste services department, the solid waste department, the storm water department, and the fleet services department, street and infrastructure improvements
General Obligation Refunding Bond, Series 2016	42,040,000	Bond refunding
General Obligation Refunding Bond, Series 2017	41,140,000	Bond and commercial paper refunding
Electric Utility System Revenue Refunding Bonds, New Series 2016A	12,055,000	Bond refunding
Electric Utility System Revenue Refunding Bonds, New Series 2016B	36,875,000	Partial commercial paper refunding
Water & Sewer System Revenue Refunding Bonds, New Series 2016	16,715,000	Bond refunding
Water & Sewer System Revenue Refunding Bonds, New Series 2017	21,430,000	Bond refunding
Electric Commercial Paper, Series 2014	29,895,000	Long term debt
Electric System Notes, Series 2016	93,385,000	Long term debt
Water and Sewer Commercial Paper, Series 2015	40,000,000	Long term debt
Tax Anticipation Note, Series 2017	8,305,000	Short term capital projects

On Dec. 14, 2016, the City issued \$42,040,000 in General Obligation Refunding Bonds, Series 2016 to refund \$34,870,000 of outstanding General Obligation Bonds, Series 2007A and \$10,655,000 of outstanding Certificates of Obligation, Series 2007, at the call date. An amount of \$46,569,132 was placed with an escrow agent to provide for debt service payments on the refunded bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next eleven years by \$4,358,490, and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$3,954,739.

On Dec. 14, 2016, the City issued \$12,055,000 in Electric Utility System Revenue Refunding Bonds, New Series 2016A to refund \$13,325,000 of outstanding Electric Utility System Revenue Bonds, Series 2007. An amount of \$13,615,637 was placed with an escrow agent to provide for debt service payments on the refunded bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next eleven years by \$1,686,334, and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,285,175.

On Dec. 14, 2016, the City issued \$36,875,000 in Electric Utility System Revenue Refunding Bonds, New Series 2016B to take out \$40,105,000 of Electric Commercial Paper debt Series 2014.

City of Garland, Texas
Notes to the Financial Statements (Continued)

On Dec. 14, 2016, the City issued \$16,715,000 in Water and Sewer System Revenue Refunding Bonds, New Series 2016 to refund \$18,520,000 of outstanding Water and Sewer Utility System Revenue Bonds, Series 2007. An amount of \$18,939,133 was placed with an escrow agent to provide for debt service payments on the refunded bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next eleven years by \$805,325, and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$703,447.

On June 13, 2017, the City issued \$41,140,000 in General Obligation Refunding Bonds, Series 2017 to refund \$30,005,000 of outstanding General Obligation Bonds, Series 2008A, \$5,420,000 of outstanding Certificates of Obligation, Series 2008, and to take out \$10,000,000 of General Obligation Commercial Paper debt Series 2015. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next twelve years by \$4,540,165, and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$4,153,390.

On June 13, 2017, the City issued \$21,430,000 in Water and Sewer System Revenue Refunding Bonds, New Series 2017 to refund \$24,010,000 of outstanding Water and Sewer Utility System Revenue Bonds, Series 2008. An amount of \$24,978,593 was placed with an escrow agent to provide for debt service payments on the refunded bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next twelve years by \$3,152,156, and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$2,817,756.

F. Retirement Plans

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credit with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credit for service since the plan began are 200% of the employee's accumulated contributions. In addition, the City granted another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

A summary of the plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required to vesting	5
Service retirement eligibility	age 60 with five or more years of service or with 20 years of service regardless of age

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,323
Inactive employees entitled to but not yet receiving benefits	560
Active employees	<u>1,967</u>
	3,850

City of Garland, Texas
Notes to the Financial Statements (Continued)

Contributions

The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.50% and 11.11% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for fiscal year 2017, were \$15,568,576, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on service-related table. Mortality rates for active members, retirees, and beneficiaries were based on gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Garland, Texas
Notes to the Financial Statements (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5 %	4.55 %
International Equity	17.5	6.35
Core Fixed Income	10.0	1.00
Non-Core Fixed Income	20.0	4.15
Real Return	10.0	4.15
Real Estate	10.0	4.75
Absolute Return	10.0	4.00
Private Equity	5.0	7.75
Total	100.0 %	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2015	\$869,064,726	\$812,938,371	\$ 56,126,355
Changes for the year:			
Service Cost	21,522,671		21,522,671
Interest (on the total pension liability)	57,958,342		57,958,342
Difference between expected and actual experience	84,986		84,986
Change in assumptions	-		-
Benefit payments, including refunds of employee contributions	(42,367,920)	(42,367,920)	-
Contributions-employer		14,265,404	(14,265,404)
Contributions – employee		9,694,895	(9,694,895)
Net investment income		54,933,203	(54,933,203)
Administrative expense		(620,477)	620,477
Other		(33,430)	33,430
Net changes	<u>37,198,079</u>	<u>35,871,675</u>	<u>1,326,404</u>
Balance at December 31, 2016	<u>\$906,262,805</u>	<u>\$848,810,046</u>	<u>\$ 57,452,759</u>

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1 % Increase 7.75%
<u>\$ 169,018,284</u>	<u>\$ 57,452,759</u>	<u>\$ (36,059,706)</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$30,143,494.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 69,188	\$ (5,328,307)
Difference in assumption changes	9,854,746	-
Difference between projected and actual investment earnings on pension plan investments	38,032,793	-
Employer contributions subsequent to the measurement date	11,894,237	-
	\$ 59,850,964	\$ (5,328,307)

Deferred outflows of resources of \$11,894,237 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in pension expense as follows:

Year ended	
September 30,	
2018	\$ 14,576,809
2019	14,576,809
2020	12,760,949
2021	707,853
2022	6,000
Total	\$ 42,628,420

City of Garland, Texas
Notes to the Financial Statements (Continued)

G. Other postemployment benefits

Annual OPEB Cost and Net OPEB Obligation

The City provides other postemployment benefits (OPEB) through a single-employer plan and does not issue a publicly available financial report. Retirees are eligible to participate in the City's retiree benefits program if they are a retired employee of the City, had employee medical coverage in the City's group plans for at least five years prior to retirement, and meet the Texas Municipal Retirement System (TMRS) criteria listed on page 70. Dependents are eligible to participate in the City's retiree benefits program if they are enrolled at the time of retirement.

As of September 30, 2017, the City has 205 retirees and 105 retirees and family participating in the health plan out of 2,179 employees eligible to participate upon retirement.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information is listed below:

	2015	2016	2017
Annual Required Contribution	\$ 6,208,843	\$ 6,348,870	\$ 5,684,936
Interest on Net OPEB Obligation	876,445	959,104	1,029,228
Adjustment to Annual Required Contribution	<u>(776,955)</u>	<u>(850,231)</u>	<u>(912,394)</u>
Annual OPEB Cost	6,308,333	6,457,743	5,801,770
Employer contribution to trust fund	(750,000)	(750,000)	(750,000)
Employer Contributions with interest	<u>(3,818,135)</u>	<u>(4,231,460)</u>	<u>(3,680,206)</u>
Increase in Net OPEB Obligation	1,740,198	1,476,283	1,371,564
Net OPEB Obligation beginning of year	<u>18,451,473</u>	<u>20,191,671</u>	<u>21,667,954</u>
Net OPEB Obligation end of year	<u><u>\$20,191,671</u></u>	<u><u>\$21,667,954</u></u>	<u><u>\$23,039,518</u></u>

In addition to the employer contribution, the retirees paid \$3,051,266 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4.75% discount rate, and level percent of pay amortization)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2015	\$ 6,308,333	\$ 4,568,135	72.4%	\$ 20,191,671
9/30/2016	\$ 6,457,743	\$ 4,981,460	77.1%	\$ 21,667,954
9/30/2017	\$ 5,801,770	\$ 4,430,208	76.4%	\$ 23,039,518

City of Garland, Texas
Notes to the Financial Statements (Continued)

Actuarial Assumptions

Actuarial Valuation Date	-	10/01/2016
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	30 Years – Open Period
Investment Rate of Return	-	4.75%
Projected Salary Increases	-	Varies by age and service
Includes Healthcare cost trend at	-	9.0% (the City's portion of the annual increase is expected to be capped at 3%)
Inflation rate	-	3.5%
Cost-of-living Adjustments	-	None

Schedule of Funding Information

Actuarial valuation date	10/01/2016
Actuarial value of assets	\$4,116,000
Actuarial accrued liability (AAL)	\$67,392,000
Unfunded actuarial accrued liability (UAAL)	\$63,276,000
Funded ratio	6.11%
Annual covered payroll (actuarial)	\$134,145,000
UAAL as % of covered payroll	47.2%

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Supplemental Death Benefits Plan (SDBF)

Plan Description: The City participates in the TMRS Supplemental Death Benefits Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS); this is a separate trust administered by the TMRS Board of Trustees. TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial and supplementary information for the SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Funding Requirements: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to SDBF for the years ended September 30, 2017, 2016, and 2015 were:

Fiscal Year	Annual Required Contribution (Rate)	Actual Contribution Made (Dollars)	Percentage of ARC Contributed
2015	0.17%	\$231,587	100.0%
2016	0.20%	273,505	100.0%
2017	0.20%	283,877	100.0%

H. Self Insurance

Self-insurance for general and auto liability exposure and workers' compensation is maintained in the Self-Insurance Fund of the Internal Service Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of \$5,816,520 were collected from funds that participate in these. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2016, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2016 claims payable as of September 30, 2017 was estimated at \$7,262,640.

Long-Term Disability (LTD) claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. Based on a current independent actuarial analysis, an actuarially determined liability of \$2,875,700 has been established for projected future claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2017, a short-term liability of \$1,663,888 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

There were no significant reductions in insurance coverage in the current year from coverage in the prior year, nor have there been any settlements that have exceeded insurance coverage for each of the past three fiscal years.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2015 and 2016 were:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self Insurance – 2016	\$ 7,123,929	\$ 2,560,822	\$ 138,711	\$ 2,560,822	\$ 7,262,640	\$ 2,774,500
Self Insurance – 2017	7,262,640	760,911	-	760,911	7,262,640	2,774,500
Long-Term Disability – 2016	2,934,187	373,948	(58,487)	373,948	2,875,700	490,000
Long-Term Disability – 2017	2,875,700	440,182	-	440,182	2,875,700	490,000
Group Health – 2016	2,179,258	23,985,247	(297,424)	23,985,247	1,881,834	1,881,834
Group Health – 2017	1,881,834	21,006,586	(217,946)	21,006,586	1,663,888	1,663,888

I. Texas Municipal Power Agency

The Texas Municipal Power Agency (TMPA) was created in 1975 pursuant to legislation that was passed by the 64th Legislative Session. In 1976, the City along with the cities of Bryan, Denton, and Greenville (collectively “the Cities”) entered into identical Power Sales Contracts with TMPA. Under the Power Sales Contracts each member city is required to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at rates set to cover TMPA’s operating cost and retirement of debt. In the event that revenues are insufficient to cover all costs to retire the outstanding debt, each of the member cities has guaranteed a portion of the unpaid debt based on a percentage, which is determined by each member Cities’ annual net energy load. The City of Garland does not own an equity interest in TMPA.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City’s contractual portion of TMPA’s annual fixed operating costs and debt service payments which is currently 47%. During 2017, the City paid TMPA \$68,873,134 for these charges for the year. It is anticipated that the City will pay \$50,833,934 for these charges during FY2018.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Total debt of TMPA at September 30, 2017, amounted to \$299,760,000 of which \$93,805,000 represented the current portion. TMPA's Revenue Bonds are payable from and secured by an irrevocable first lien on the TMPA's net revenues and certain other special funds created in the TMPA's Bond Resolution. The Cities are obligated to guarantee the payment of TMPA's Prior Lien Bonds (the "Debt Service Guarantee").

TMPA
 Outstanding Debt Amounts
 September 30, 2017
 (reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	\$ 105,840	\$ 93,805	\$ 199,645
Tax Exempt Commercial Paper	100,115	-	100,115
	\$ 205,955	\$ 93,805	\$ 299,760

On March 1, 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 20 years for the purpose of prepaying certain contractual obligations to TMPA. The principal amount of the bonds was \$126,885,000 with a reoffering premium and other bond issuance costs of \$11,367,850 for a total of \$138,252,850. Since the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of \$138,252,850. The City is amortizing the Other Asset over a period of 20 years with a half year convention. The City has recorded a total of \$51,844,818 of accrued amortization, leaving a balance in the Other Assets account of \$86,408,031 at September 30, 2017.

TMPA GASB 42 Impairment of TMPA Other Asset Costs

The TMPA Board of Directors approved a plan of "seasonal operation" in August, 2017, in which the Gibbons Creek generating plant will only operate in the summer months beginning in 2018. Operations during years after 2018 will be evaluated on an annual basis. The TMPA Other Asset becomes impaired as a result of this determination. The asset impairment was calculated based on continued service units as follows:

<u>Operation Year</u>	<u>Budgeted MWH's</u>	<u>% Continued Service Units</u>
2017 – Normal Operations	2,137,364	
2018 – Seasonal Operations	810,432	37.9%

TMPA GASB 62 Regulatory Asset

City of Garland's Series 2010 debt issuance funded TMPA costs and was recorded as Other Assets to be amortized over the life of the debt. The Series 2010 debt issuance will be paid off in 2030. The City of Garland included the Series 2010 debt service as a part of cost of service.

City of Garland, Texas
Notes to the Financial Statements (Continued)

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity's rate for regulated services provided to its customers are established by or are subject to approval of an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity's costs of providing the regulated services.
- In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity's costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Garland qualifies to utilize GASB 62 due to:

- State and local statutes empower the City of Garland City Council to establish retail rates.
- The City of Garland specific costs are recovered through City of Garland retail rates.
- Current and projected customer demand support the recovery of City of Garland cost of service.

A regulatory asset will be established on September 30, 2017, and will be amortized through 2030.

	Generation	Transmission	GASB 62 Regulatory Asset	Total Other Asset
Balance Sept. 30, 2016	\$ 87,060,476	\$ 6,260,198	\$ -	\$ 93,320,674
Other asset amortization	(6,448,924)	(463,719)	-	(6,912,643)
	80,611,552	5,796,479	-	86,408,031
Impairment	(50,045,780)	-	-	(50,045,780)
GASB 62 regulatory asset	-	-	50,045,780	50,045,780
Balance Sept 30, 2017	\$ 30,565,772	\$ 5,796,479	\$ 50,045,780	\$ 86,408,031

On August 27, 2015, the City issued Combination Tax & Electric Utility System Surplus Revenue Refunding Bonds, Series 2015 with a maturity of 5 years for the purpose of prepaying certain contractual obligations to TMPA. The principal amount of the bonds was \$53,870,000 with a reoffering premium and other issuance costs of \$5,400,000 for a total of \$59,270,000. Since the proceeds of this debt issuance were placed with an escrow agent and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of \$59,270,000. The City is amortizing the Other Asset over a period of 2 years. During the current fiscal year, the City amortized \$29,635,000 of the asset which resulted in the Other Asset being fully amortized at September 30, 2017.

Financial statements for TMPA are available from the TMPA website texasmpa.org or through the City of Garland Financial Services Department.

City of Garland, Texas
Notes to the Financial Statements (Continued)

J. Deferred Compensation Plan

The City offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all permanent City employees, permits participants to contribute annually the amount per IRS limitations on a tax-deferred basis up to the annual contribution limit allowed by the IRS. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under this plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries. Therefore, the Deferred Compensation Investments are no longer reported in the City's financial statements.

K. Conduit Debt Information

The discrete component unit was created to issue revenue bonds to provide financial assistance to qualified homeowners. Even though the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit bonds at December 31, 2016, is as follows:

<u>Series</u>	<u>Garland Housing Finance Corporation</u>	<u>Total</u>
2005	\$ <u>12,106,329</u>	\$ <u>12,106,329</u>
	\$ <u>12,106,329</u>	\$ <u>12,106,329</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

L. Business-Type Blended Component Unit

The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. GFFD is reported as a blended component unit of the non-major enterprise golf fund. A summary of the condensed combining information at September 30, 2017, is as follows:

Golf Fund Condensed Statement of Net Position

	Golf	GFFD	Eliminating Entries	Total
Current Assets	\$ 526,009	\$ 52,901	\$ (52,315)	\$ 526,595
Other Assets	107,784	-	-	107,784
Capital Assets	15,382,781	-	-	15,382,781
Total Assets	<u>16,016,574</u>	<u>52,901</u>	<u>(52,315)</u>	<u>16,017,160</u>
Deferred outflow of resources-pensions	339,394	-	-	339,394
Current Liabilities	195,731	89,882	(52,315)	233,298
Other Liabilities	634,565	-	-	634,565
Total Liabilities	<u>830,296</u>	<u>89,882</u>	<u>(52,315)</u>	<u>867,863</u>
Deferred inflow of resources-pensions	30,216	-	-	30,216
Net Investment in Capital Assets	15,490,565	-	-	15,490,565
Unrestricted Net Position	4,891	(36,981)	-	(32,090)
Net Position	<u>\$ 15,495,456</u>	<u>\$ (36,981)</u>	<u>-</u>	<u>\$ 15,458,475</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

Golf Fund Condensed Statement of
Revenues, expenses, and changes in
Net Position

	Golf	GFFD	Eliminating Entries	Total
Operating Revenues	\$ 3,329,096	\$ 692,994	\$ -	\$ 4,022,090
Operating expenses before depreciation	(3,478,775)	(1,614,145)	918,298	(4,174,622)
Depreciation	(925,777)	-	-	(925,777)
Total Operating Loss	(1,075,456)	(921,151)	918,298	(1,078,309)
Gain on disposal of capital assets	3,991	-	-	3,991
Intergovernmental	205,259	-	-	205,259
Earnings on investments	282	-	-	282
Net transfers	500,000	918,298	(918,298)	500,000
Change in Net Position	(365,924)	(2,853)	-	(368,777)
Net Position, beginning of year	15,861,380	(34,128)	-	15,827,252
Net Position, end of year	<u>\$ 15,495,456</u>	<u>\$ (36,981)</u>	<u>-</u>	<u>\$ 15,458,475</u>

Golf Fund Condensed Statement of Cash Flows

	Golf	GFFD	Eliminating Entries	Total
Net cash provided by (used for) operations	\$ 826,580	\$ (1,791,680)	918,298	\$ (46,802)
Net cash provided by noncapital financing activities	323,610	918,298	(918,298)	323,610
Net cash used for capital and related activities	(47,904)	-	-	(47,904)
Net cash used for investing activities	(121,355)	-	-	(121,355)
Net increase (decrease) in cash and cash equivalents	980,931	(873,382)	-	107,549
Cash and cash equivalents at beginning of year	51,061	-	-	51,061
Cash and cash equivalents at end of year	<u>\$ 1,031,992</u>	<u>\$ (873,382)</u>	<u>-</u>	<u>\$ 158,610</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

M. Landfill Closure and Postclosure Care Cost

As of September 30, 2017, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is \$2,313,310, \$37,597,430 and \$34,652 respectively. The \$12,556,412 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Castle landfill, 28.00% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of \$318,242. The City will recognize the remaining estimated closure and postclosure care costs of \$27,070,738 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2015, which estimated cost to perform all closure and postclosure care. In addition, the closure and postclosure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes. The Hinton landfill has an estimated remaining useful life of 4 years.

Since the City's Landfill operation is a general government function, a special revenue fund was established to account for actual landfill closure and postclosure care funding sources and expenditures as they are incurred. Based on the City's current landfill closure financial strategy, \$2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

N. Economic Incentives and Tax Abatements

The City enters into economic development and tax abatement agreements in order to spur commercial activity, generate additional sales tax revenue, enhance the property tax base, and provide increased economic vitality to the City. All abatement projects meet a minimum threshold point total based on full-time jobs, annual payroll, value of new or remodeled facilities, value of machinery and equipment, value of inventory, annual sales tax generated, or Garland Power & Light electric usage. All abatements must be approved on a case-by-case basis negotiated by City staff and approved by the City Council. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, expanding operations, renewing facility leases and bringing targeted businesses to the City. Recipients are largely required to meet and maintain minimum thresholds of real and personal property values, full time employees, number of tenants or other provisions specific to an individual recipient. Agreements are generally made for a period of five years and contain recapture provisions which may require repayment or termination if a recipient fails to meet the required provisions.

The City has two categories of economic development agreements:

Tax Abatements – Under Chapter 312 of the Texas Tax Code the City is allowed to designate tax reinvestment zones and negotiate tax abatement agreements with applicants within these zones. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. A summary of Chapter 312 Tax Abatements for the year ended September 30, 2017, is as follows:

<u>Abatement Type</u>	<u>Active Agreements</u>	<u>Total Taxes Abated FY17</u>
Ad Valorem Tax	5	\$ 547
Business Personal Property Tax	10	12,756

City of Garland, Texas
Notes to the Financial Statements (Continued)

Tax Rebates – Under Chapter 380 of the Texas Local Government Code, the City is allowed to enter into agreements in order to stimulate economic activity. These agreements may rebate a flat amount or percentage of real property, personal property or sales taxes received by the City. A summary of Chapter 380 tax rebates for the year ended September 30, 2017 is as follows:

<u>Abatement Type</u>	<u>Active Agreements</u>	<u>Total Taxes abated FY17</u>
Ad Valorem Tax	4	\$ 193,618
Business Personal Property Tax	3	-
Sales Tax	8	1,522,007

O. Commitments and Contingent Liabilities

The City has been named as a defendant or co-defendant in a number of personal injury cases. While the outcome of these cases is not known at this time, the City attorney and City management are of the opinion that any awards to injured parties which must be paid in excess of amounts covered by insurance will not be material to the financial position of the City.

A number of other claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City attorney and City management are of the opinion that the settlement of these other claims and pending litigation will not have a material adverse impact on the City's financial position.

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

On December 19, 2013, the City entered into a twenty (20) year energy purchase power agreement with Spinning Spur Wind Three, LLC. The agreement extends from the start hour 1:00 of the Commercial Operation Date and ends at the completion of hour 24:00 of the day immediately preceding the twentieth (20) anniversary. The City purchases 26% of the output from the 194MW facility. Commercial Operations began September 28, 2015.

On August 28, 2014, the City entered into a twenty-five (25) year energy purchase power agreement with Los Vientos Windpower V, LLC. The agreement extends from the start of hour 1:00 of the Commercial Operation Date and ends at the completion of hour 24:00 of the day immediately preceding the twenty-fifth (25) anniversary. The City purchases 45.96% of the output from the 110MW facility. Commercial Operations began December 23, 2015.

On June 12, 2015, the City entered into a fourteen (14) year energy purchase power agreement with Salt Fork Wind, LLC. The agreement extends from the start of hour 1:00 (CPT) of the Commercial Operation Date and ends at the completion of hour 24:00 (CPT) of the day immediately preceding the fourteenth (14th) anniversary. The City purchases up to 150MW from the facility. The City has contracts to sell 77% of this energy downstream. Commercial Operations began December 1, 2016.

City of Garland, Texas Notes to the Financial Statements (Continued)

On October 27, 2015, the City entered into a twenty (20) year energy purchase power agreement with Albercas Wind Energy II, LLC. From the effective date, the agreement extends until 23:59:59 (CPT) on the day prior to the 20th anniversary of the Commercial Operation Date. The City purchases up to 96MW from the facility. The City has contracts to sell 74% of this energy downstream. Commercial Operations began November 13, 2016.

On December 28, 2015, the City entered into a fifteen (15) year energy purchase power agreement with BNB Lemesa Solar LLC. The agreement extends from the start of hour 1:00 (CPT) of the Commercial Operation Date and ends at the completion of hour 24:00 (CPT) of the day immediately preceding the fifteenth (15th) anniversary. The Commercial Operation Date is anticipated to be no later than March 31, 2017. The City will purchase 102 MW from the facility. The City has contracts to sell 49% of this energy downstream. Commercial Operations began April 27, 2017.

The City executed confirmations during the fiscal year, under its International Swaps and Derivatives Association Inc. (ISDA) Master Agreement to purchase electricity under specific terms and conditions. Management believes the purchase of electricity under the specific terms and conditions of the confirmation were for normal purchases/normal sales and non-speculative in nature.

The ERCOT Board of Directors resolution approved April 8, 2014, identified what is generally known as the “Houston Import Project” as critical to the reliability of the ERCOT grid. Under its authority to administer certain protocols governing the ERCOT transmission grid in Texas, ERCOT designated CenterPoint Energy Houston Electric, LLC (“Centerpoint”) and Cross Texas Transmission, LLC (“CTT”) and the City of Garland (“City”) as co-providers of the Houston Import Project. The Houston Import Project encompasses a number of interrelated transmission line and substation projects involving two new 345kV double-circuit transmission lines. In fiscal year 2014, the City entered into a Participation Agreement with CTT for the line segment terminating into the Limestone and Gibbons Creek substations and substation upgrades to the Gibbons Creek substation. Under this agreement, CTT will obtain a certificate of convenience and necessity (CCN”) issued by the Public Utility Commission for construction of the lines that will be owned by the City and CTT and will require CTT to acquire and build the lines. An estimated 60% of the CCN and the lines, the “Garland Segment”, will be wholly owned by the City by the transfer of the CCN from CTT after the lines achieve commercial operation. The City will pay or reimburse CTT for the acquisition of the CCN and the acquisition and construction of the lines of the Garland Segment. The construction of the lines is estimated to cost \$145,000,000. On January 13, 2016, the Public Utility Commission approved the CCN for the line segment terminating into the Limestone and Gibbons Creek substations.

P. Derivative Instruments

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, the City has established a Risk Management Program. This program was authorized by the City Council and is led by the Risk Oversight Committee. Under this program, the City enters into forward contracts for natural gas and energy for the purpose of reducing exposure to natural gas and energy price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. The City typically settles these contracts by delivery of certain commodities.

The City applies GASB Statement No 53 – *Accounting and Financial Reporting for Derivative Instruments*, (“GASB 53”), which addresses the recognition, measurement, and disclosures related to derivative instruments. The City utilizes natural gas commodity swaps to hedge its exposure to fluctuating fuel prices. Since these derivatives are entered into for risk mitigation purposes, the instruments are considered potential hedging derivative instruments under GASB 53. The City evaluated all potential hedging derivative instruments for effectiveness utilizing the consistent critical terms method as of September 30, 2017, and as of September 30, 2016, and determined the derivatives to be effective in substantially offsetting the change in cash flows of the hedgeable items. These derivatives act as cash flow hedges.

City of Garland, Texas
Notes to the Financial Statements (Continued)

At September 30, 2017, the total fair value of outstanding hedge instruments was a net asset of \$553,669. Fuel hedging instruments with a fair value of \$818,782 are classified on the Statement of Net Position as a current asset. Long-term fuel hedges with a fair value of \$(265,113) are classified on the Statement of Net Position as a non-current liability. As of September 30, 2016, the total fair value of outstanding hedge instruments was a net asset of \$737,633. Fuel hedging instruments with a fair value of \$853,881 are classified on the Statement of Net Position as a current asset. Long-term fuel hedges with a fair value of \$(116,248) are classified as a component of long-term liabilities. Changes in fair value as of September 30, 2017, of \$669,918 are reflected in deferred inflows. The following information details the City Electric Fund's hedging derivative instruments below:

Derivative transactions as of September 2017:

Type	Terms	Notional Amount (MMBtu)	Purchase Dates	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of \$2.755 - \$3.62	8,331,612	Feb 2015- June 2017	Oct 2017- Dec 2021	NYMEX	\$ 553,669
		8,331,612				\$ 553,669

Derivative transactions as of September 2016:

Type	Terms	Notional Amount (MMBtu)	Purchase Dates	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of \$2.060 - \$4.018	10,987,814	July 2014- April 2016	Oct 2016- Dec 2019	NYMEX	\$ 737,633
		10,987,814				\$ 737,633

At September 30, 2017, the City had eight wholesale customers to provide power supply and/or qualified scheduling entity services. The contract terms extend up to December 31, 2022. For the power supply customers, the City charges an energy charge which is based on the quantity of power supplied multiplied by a fixed price, or multiplied by a fixed heat rate and a fuel index price. In order to hedge the City's risk, the City has entered into corresponding power supply agreements with counterparties to hedge against energy price or heat rate fluctuation in the market.

Congestion Revenue Rights

Pre-assigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow the City to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. At September 30, 2017, the City held CRRs with a cost and fair market value of \$718,215, that the City expects to use in normal operations, which is recorded as prepaid expense in the Electric fund.

City of Garland, Texas Notes to the Financial Statements (Continued)

Risks

Credit Risk. The City's over-the-counter agreements for natural gas and energy expose the City to credit risk. In the event of default, the City's operations will not be materially affected. However, the City does not expect the counterparties to fail to meet their obligations. The City maintains contracts with contractual provisions under the ISDA, EEI (Edison Electric Institute), and NAESB (North American Energy Standards Board) agreements. As of September 30, 2017, the City had outstanding forward purchase contracts extending through December 31, 2022, that are expected to be settled through physical delivery.

The City monitors the credit ratings of all of its counterparties to adhere to the City's Risk Management Policy. Any counterparty that does not have at least a BBB- credit rating must be approved by the Risk Oversight Committee.

The congestion revenue rights expose the City to custodial credit risk in the event of default or nonperformance by ERCOT. In the event of default or nonperformance, the City's operations will not be materially affected. However, the City does not expect ERCOT to fail in meeting their obligations as they are a regulatory entity of the State of Texas.

Basis Risk. The City could be exposed to basis risk on its fuel hedges if the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub).

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity date due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. The City's exposure to termination risk for over-the-counter agreements is minimal due to the high credit rating of the counterparties, and the contractual provisions under the ISDA, EEI, and NAESB agreements applied to these contracts. Termination risk is associated with all of the City's derivatives up to their fair value of the instrument.

Close-out Netting Arrangements. The City enters into close-out netting arrangements whenever it has entered into more than one derivative transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and set off the transaction's fair values so that a single sum will be owed by or owed to the non-defaulting party.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Q. GHFC Primrose at Crist Project

On January 17, 2005, GHFC entered into an agreement, to create a partnership to construct and operate a 204-unit rental residential development for seniors to be known as Primrose at Crist located in the City. The original partnership of TX Crist Housing LLP consisted of TX Crist GP LLC, Wachovia Affordable Housing Community Development Corporation a Limited Investment Partner, and TX Crist Development, SLP, L.L.C a Class B Limited Partner. On April 20, 2008 the original partnership agreement was amended to replace TX Crist Development with CAH-IDA Crist Housing as the Class B Limited Partner.

GHFC owns 100% of TX Crist GP LLC, and appoints the president and treasurer (officers) of this limited liability corporation. GHFC issued Conduit Debt amounting to \$13,800,000 of variable rate multifamily housing revenue bonds (Primrose at Crist Apartments Project) for the benefit of TX Crist Housing LLP (the bond borrower). GHFC receives an annual issuer fee of 0.01% of the outstanding variable rate multifamily housing revenue bonds that were issued by the bond borrower. The outstanding conduit debt balance at December 31, 2016, is \$12,106,329.

On the closing date of the GHFC Variable Rate Multifamily Housing Revenue Bonds, the land for the project was purchased and titled to GHFC. The land and future improvement have been mortgaged to secure repayment to the lender of the GHFC Multifamily notes. In addition, the land was leased over the next 40 years for \$900,000. The remaining unearned revenue as of December 31, 2016, related to this transaction of \$658,125 will be amortized over the next 28.5 years as rent revenue.

According to the Primrose at Crist Master Agreement TX Crist GP LLC will receive a developer fee that could amount to \$500,000. To date, GHFC has received \$332,409 of the \$500,000. After the developers' fee is paid, TX Crist GP LLC shall be entitled to receive from net operating cash flow after a \$10,000 asset management fee is paid, any tax credit shortfalls are paid, any operating deficit loans are paid, and any subordinated property management fees are paid, a cumulative fee equal to 2% of gross collected rent. The officers of TX Crist GP LLC are required to issue annual dividends to GHFC based on the net revenues and expenses of the limited liability corporation. In addition, TX Crist GP LLC owns 0.01% of TX Crist Housing LLP. This equity ownership amounts to less than \$10,000 and is not material to the financial operation of GHFC.

Wachovia Affordable Housing Community Development Corporation owns 99.99% of TX Crist Housing LLP. Neither GHFC nor TX Crist GP LLC exercises any control over TX Crist Housing LLP. TX Crist Housing LLP is the borrower of the \$13,800,000 variable rate multifamily housing revenue bonds issued by GHFC. In addition TX Crist Housing LLP is responsible for the apartment management. TX Crist Housing LLP is responsible for paying the developer fees, the 0.01% issuer fee, and the 2% gross collected rent.

The financial statements for TX Crist GP LLC are blended with the GHFC financial statements as a component unit since GHFC exercises significant financial control over TX Crist GP LLC. The financial statements for TX Crist Housing LLP are included with neither TX Crist GP LLC nor GHFC financial statements because neither entity exercises control over TX Crist Housing LLP.

City of Garland, Texas
Notes to the Financial Statements (Continued)

R. GHFC HomeTowne at Garland, LP project

In August 2010, GHFC Garland GP, LLC, a Texas limited liability company, of which GHFC is the sole member entered into a Limited Partnership agreement for the formation of HomeTowne at Garland, LP (the "Partnership"). In August 2011, the Limited Partnership agreement was amended and restated whereby the Partnership would be formed to develop, construct, own, maintain, and operate a 144-unit multifamily residential apartment complex intended for rental to Senior Citizens of low and moderate income, to be known as HomeTowne at Garland, and to be located in Garland, Texas under the terms of the agreement. Under the term of the agreement, the Partnership continues until December 31, 2099 unless the Partnership is sooner dissolved by law.

In August 2011, GHFC entered into an Amended and Restated Ground Lease with the Partnership whereby GHFC leased land to the Partnership for the construction and development of HomeTowne at Garland. GHFC continues to own the land and leases the land to the Partnership over a 75 year period terminating on August 31, 2086.

As of December 31, 2014, GHFC received cash of \$900,000 in up front lease payments that GHFC has recorded as unearned revenue. For the year ended December 31, 2016, GHFC recognized revenue of \$22,148 according to the terms of the lease agreement with an unearned revenue balance of \$802,556.

S. Subsequent Events

On January 16, 2018, the City approved an ordinance to call \$8,305,000 of Tax Anticipation Note, Series 2017 to be called on February 15, 2018.

City of Garland, Texas
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2017
(unaudited)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 76,149,027	\$ 78,725,855	\$ 78,643,331	\$ (82,524)
Franchise fees	8,585,712	8,696,202	8,746,777	50,575
Service charges	23,321,589	25,207,830	26,037,157	829,327
Licenses and permits	4,345,096	5,371,223	5,201,460	(169,763)
Earnings on investments	217,131	371,380	330,241	(41,139)
Intergovernmental	1,206,191	845,865	803,933	(41,932)
Charges for services	9,426,444	9,426,444	9,426,444	-
Fines and forfeits	6,807,990	8,599,975	8,586,513	(13,462)
Rents and concessions	814,786	762,371	745,942	(16,429)
Total revenues	<u>130,873,966</u>	<u>138,007,145</u>	<u>138,521,798</u>	<u>514,653</u>
Expenditures:				
Current:				
General government	10,633,650	12,938,654	11,396,295	1,542,359
Public safety	86,937,488	90,058,475	89,743,140	315,335
Public works	28,790,118	30,382,020	22,329,429	8,052,591
Culture and recreation	15,177,358	15,659,388	15,083,685	575,703
Public health	3,891,701	3,966,092	3,801,719	164,373
Nondepartmental	27,138,269	24,960,484	24,798,432	162,052
Total expenditures	<u>172,568,584</u>	<u>177,965,113</u>	<u>167,152,700</u>	<u>10,812,413</u>
Excess (deficit) of revenues over (under) expenditures	<u>(41,694,618)</u>	<u>(39,957,968)</u>	<u>(28,630,902)</u>	<u>11,327,066</u>
Other financing sources (uses):				
Sale of capital assets	70,771	435,838	312,911	(122,927)
Transfer in	49,032,058	48,951,876	39,191,385	(9,760,491)
Transfers out	<u>(12,132,231)</u>	<u>(13,223,989)</u>	<u>(2,723,975)</u>	<u>10,500,014</u>
Total other financing sources (uses)	<u>36,970,598</u>	<u>36,163,725</u>	<u>36,780,321</u>	<u>616,596</u>
Net Change in fund balances	(4,724,020)	(3,794,243)	8,149,419	11,943,662
Fund balance, beginning of year	27,049,006	27,049,006	27,049,006	-
Fund balance, end of year	<u>\$ 22,324,986</u>	<u>\$ 23,254,763</u>	<u>\$ 35,198,425</u>	<u>\$ 11,943,662</u>

See notes to required supplementary information.

City of Garland, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Calendar Years
(unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 19,196,960	\$ 20,067,678	\$ 21,522,671
Interest	54,497,988	56,833,734	57,958,342
Difference between expected and actual experience	(3,135,740)	(6,147,278)	84,986
Change of assumptions	-	15,651,656	-
Benefit payments, including refunds of employee contributions	<u>(36,818,136)</u>	<u>(38,435,413)</u>	<u>(42,367,920)</u>
Net Change in Total Pension Liability	33,741,072	47,970,377	37,198,079
Total Pension Liability - Beginning	<u>787,353,277</u>	<u>821,094,349</u>	<u>869,064,726</u>
Total Pension Liability - Ending	<u><u>\$ 821,094,349</u></u>	<u><u>\$ 869,064,726</u></u>	<u><u>\$ 906,262,805</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 14,502,416	\$ 14,462,360	\$ 14,265,404
Contributions - Employee	9,056,479	9,304,889	9,694,895
Net Investment Income	45,500,705	1,220,504	54,933,203
Benefit payments, including refunds of employee contributions	(36,818,136)	(38,435,413)	(42,367,920)
Administrative Expense	(475,082)	(743,428)	(620,477)
Other	<u>(39,061)</u>	<u>(36,717)</u>	<u>(33,430)</u>
Net Change in Plan Fiduciary Net Position	31,727,321	(14,227,805)	35,871,675
Plan Fiduciary Net Position - Beginning	<u>795,438,855</u>	<u>827,166,176</u>	<u>812,938,371</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 827,166,176</u></u>	<u><u>\$ 812,938,371</u></u>	<u><u>\$ 848,810,046</u></u>
Net Pension Liability (Asset)	\$ (6,071,827)	\$ 56,126,355	\$ 57,452,759
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.74%	93.54%	93.66%
Covered Employee Payroll	\$ 129,267,431	\$ 132,898,533	\$ 138,498,528
Net Pension Liability as a Percentage of Covered Employee Payroll	(4.70%)	42.23%	41.48%

Measurement date December 31

The City of Garland implemented Statement 68 in FY2015 and a full ten-year trend is not yet available.

**City of Garland, Texas
Required Supplementary Information
Schedule of Contributions
Last Three Fiscal Years
(unaudited)**

	2015	2016	2017
Actuarially Determined Contribution	14,703,510	15,134,606	15,568,576
Contributions in relation to the actuarially determined contribution	<u>14,703,510</u>	<u>15,134,606</u>	<u>15,568,576</u>
Contribution deficiency (excess)	-	-	-
Covered employee payroll	132,016,898	142,253,130	141,938,528
Contributions as a percentage of covered employee payroll	11.14%	10.64%	10.97%

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to the experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

The City of Garland implemented Statement 68 in FY2015 and a full ten-year trend is not yet available.

City of Garland, Texas
 Required Supplementary Information
 Schedules of Funding Progress
 Last ten calendar years
 (unaudited)

**Schedule of other postemployment benefits (OPEB) funding progress
 Last ten fiscal years**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
10/1/2007	\$ -	\$ 79,187,130	0.00%	\$ 79,187,130	\$ 114,140,292	69.4%
10/1/2008	-	83,522,196	0.00%	83,522,196	119,081,305	70.1%
10/1/2009	260,541	69,463,991	0.40%	69,203,450	122,500,000	56.5%
10/1/2009	525,963	72,834,378	0.72%	72,308,415	127,400,000	56.8%
10/1/2011	516,134	82,778,660	0.62%	82,262,526	125,400,000	65.6%
10/1/2011 (1)	845,836	86,815,833	0.97%	85,969,997	129,200,000	66.5%
10/1/2013	762,697	86,226,002	0.88%	85,463,305	121,174,000	70.5%
10/1/2014	2,211,553	86,295,365	2.56%	84,083,812	126,445,000	66.5%
10/1/2015	3,149,078	88,560,602	3.56%	85,411,524	130,238,350	65.6%
10/1/2016	4,116,000	67,392,000	6.11%	63,276,000	134,145,000	47.2%

(1) Actuarial study performed 10-1-11 and amounts were projected by the actuary to October 1, 2012.

City of Garland, Texas

Notes to Required Supplementary Information

Budgets and Budgetary Accounting

Annual appropriations for the General Fund are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

The City Charter contains the following requirements, which are adhered to by the City Council and management, regarding preparation of the annual Budget:

1. Prior to August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to September 15 to obtain taxpayer comments.
3. Prior to September 20, annual appropriations are approved through the passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, is deemed to have been adopted by the City Council.
4. The level of control (level at which expenditures may not exceed budget) is the fund. The City Manager is authorized to transfer unexpended balances within each fund. The City Council, however, must approve any revisions in fund appropriations.



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City of Garland, Texas Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The City's funds accounted for as Special Revenue Funds are as follows:

Community Development Block Grant Fund (CDBG) – This fund is used to account for Federal grant revenues provided through the Department of Housing and Urban Development for the development of environmental and economic opportunities, principally for persons of low and moderate income.

Housing Assistance Program Fund – This fund is used to account for Federal revenues provided through the Department of Housing and Urban Development for housing assistance payments for low income tenants.

Neighborhood Services Fund – This fund is used to account for Federal, state, and local revenues to improve neighborhoods in low income areas.

Hotel/Motel Tax Fund – This fund is used to account for the receipt of hotel/motel occupancy taxes.

Impact Fees Fund – This fund is used to account for street and water impact fees charged to develop property.

Landfill Closure Fund – This fund is used to account for expenditures related to the landfill closure and postclosure care.

Police Training Fund – This fund is used to account for grant funding of police training.

Substandard Perimeter Road Fund – This fund is used to account for revenue received pending the construction of substandard perimeter roads and streets.

Narcotic Seizure Fund – This fund is used to account for awards and expenditures from assets acquired through narcotics arrests. The expenditures are restricted to law enforcement activities by state law.

TIF Fund – This fund is used to account for the Downtown Tax Increment Finance Fund, TIF Zone No. 1, and the Interstate 30 Corridor Tax Increment Finance Fund, TIF Zone No. 2. These funds are used to account for revenues and expenditures incurred in administering the tax increment financing programs.

City of Garland, Texas
Nonmajor Governmental Funds
Balance Sheet
September 30, 2017

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	Police Training	Substandard Perimeter Road	Narcotic Seizure	TIF	Total Other Governmental Funds
Assets											
Cash and cash equivalents	\$ 27,344	\$ 39,555	\$ 242,902	\$ 1,137,600	\$ 2,341,332	\$ 11,606	\$ 81,620	\$ 663,905	\$ 361,404	\$ 282,238	\$ 5,189,506
Investments	33,839	47,904	298,678	1,404,116	2,892,237	14,300	100,722	819,369	308,617	345,386	6,265,168
Receivables:											
Accrued interest	1	92	506	2,522	7,046	26	183	1,473	630	741	13,220
Accounts, net	1,445,229	-	2,756,776	-	-	-	-	-	-	-	4,202,005
Due from other governments	233,855	-	130,488	-	-	-	27,100	-	-	-	391,443
Assets held for resale	-	-	87,956	-	-	-	-	-	-	-	87,956
Total Current Assets	1,740,268	87,551	3,517,306	2,544,238	5,240,615	25,932	209,625	1,484,747	670,651	628,365	16,149,298
Restricted assets:											
Cash and cash equivalents	-	1,045,608	-	-	-	-	29,736	-	62,514	-	1,137,858
Total Restricted Assets	-	1,045,608	-	-	-	-	29,736	-	62,514	-	1,137,858
Total Assets	\$ 1,740,268	\$ 1,133,159	\$ 3,517,306	\$ 2,544,238	\$ 5,240,615	\$ 25,932	\$ 239,361	\$ 1,484,747	\$ 733,165	\$ 628,365	\$ 17,287,156
LIABILITIES											
Current liabilities:											
Accounts payable and accrued liabilities	\$ 100,464	\$ 144,432	\$ 126,832	\$ 12,557	\$ -	\$ -	\$ (3,431)	\$ -	\$ 920	\$ -	\$ 381,774
Accrued interest-COs	-	-	-	-	-	-	-	-	-	9,187	9,187
Due to other funds	7,196	-	33,522	-	-	-	-	-	-	-	40,718
Escrow payable	-	-	-	-	97,213	-	-	-	194,738	-	291,951
Unearned revenues	1,445,229	-	2,844,732	-	-	-	213,051	-	-	-	4,503,012
Total Liabilities	1,552,889	144,432	3,005,086	12,557	97,213	-	209,620	-	195,658	9,187	5,226,642
FUND BALANCES											
Fund balances:											
Restricted	187,379	988,727	-	-	-	-	29,741	-	537,507	619,178	2,362,532
Committed	-	-	512,220	2,531,681	5,143,402	25,932	-	1,484,747	-	-	9,697,982
Total fund balances	187,379	988,727	512,220	2,531,681	5,143,402	25,932	29,741	1,484,747	537,507	619,178	12,060,514
Total Liabilities and Fund Balances	\$ 1,740,268	\$ 1,133,159	\$ 3,517,306	\$ 2,544,238	\$ 5,240,615	\$ 25,932	\$ 239,361	\$ 1,484,747	\$ 733,165	\$ 628,365	\$ 17,287,156

City of Garland, Texas
Nonmajor Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2017

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	Police Training	Substandard Perimeter Road	Narcotic Seizure	TIF	Total Other Governmental Funds
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ 1,415,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 950,318	\$ 2,365,713
Earnings on investments	(59)	8,597	3,079	11,882	36,988	301	1,208	7,632	3,778	4,104	77,510
Intergovernmental	1,955,824	10,651,676	1,009,544	-	-	-	207,086	-	-	-	13,824,130
Impact Fees	-	-	-	-	1,640,837	-	-	-	-	-	1,640,837
Program income	49,283	-	310,910	-	-	-	-	-	-	-	360,193
Awards	-	-	-	-	-	-	-	-	291,479	-	291,479
Miscellaneous and other	-	216,677	2,700	-	-	-	23,624	-	7,000	-	250,001
Total Revenues	2,005,048	10,876,950	1,326,233	1,427,277	1,677,825	301	231,918	7,632	302,257	954,422	18,809,863
EXPENDITURES											
Current:											
Operations	1,307,498	11,054,106	1,422,327	960,180	-	-	190,480	-	214,373	227,497	15,376,461
Capital outlay	698,464	-	-	-	-	-	68,594	-	304,147	-	1,071,205
Debt service											
Principal	-	-	-	-	-	-	-	-	-	155,000	155,000
Interest	-	-	-	-	-	-	-	-	-	413,437	413,437
Total Expenditures	2,005,962	11,054,106	1,422,327	960,180	-	-	259,074	-	518,520	795,934	17,016,103
Excess (deficiency) of revenues over (under) expenditures	(914)	(177,156)	(96,094)	467,097	1,677,825	301	(27,156)	7,632	(216,263)	158,488	1,793,760
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	79,646	-	-	-	12,119	-	-	-	91,765
Transfers out	-	-	-	(209,000)	(2,410,000)	-	-	-	-	-	(2,619,000)
Total other financing sources (uses)	-	-	79,646	(209,000)	(2,410,000)	-	12,119	-	-	-	(2,527,235)
Net change in fund balances	(914)	(177,156)	(16,448)	258,097	(732,175)	301	(15,037)	7,632	(216,263)	158,488	(733,475)
Fund balances - beginning	188,293	1,165,883	528,668	2,273,584	5,875,577	25,631	44,778	1,477,115	753,770	460,690	12,793,989
Fund balances - ending	\$ 187,379	\$ 988,727	\$ 512,220	\$ 2,531,681	\$ 5,143,402	\$ 25,932	\$ 29,741	\$ 1,484,747	\$ 537,507	\$ 619,178	\$ 12,060,514

City of Garland, Texas
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 37,832,084	\$ 37,764,842	\$ 38,045,375	\$ 280,533
Earnings on investments	37,951	65,000	85,863	20,863
Miscellaneous	32,400	32,400	32,433	33
Total Revenues	<u>37,902,435</u>	<u>37,862,242</u>	<u>38,163,671</u>	<u>301,429</u>
Expenditures:				
Principal retirement	21,360,000	21,825,000	21,825,000	-
Interest	9,454,265	8,500,555	8,525,655	(25,100)
Issuer Contribution	-	-	490,612	(490,612)
Fiscal charges	525,000	525,000	43,517	481,483
Total Expenditures	<u>31,339,265</u>	<u>30,850,555</u>	<u>30,884,784</u>	<u>(34,229)</u>
Excess of revenues over expenditures	<u>6,563,170</u>	<u>7,011,687</u>	<u>7,278,887</u>	<u>267,200</u>
Other financing sources (uses):				
Proceeds of general obligation refunding bonds	-	-	55,425,000	55,425,000
Payment to general obligation refunded bond escrow agent	-	-	(63,038,619)	(63,038,619)
Premium on issuance of debt	-	-	7,654,231	7,654,231
Transfers in	685,321	685,321	685,321	-
Transfers out	<u>(7,436,509)</u>	<u>(7,436,509)</u>	<u>(7,436,509)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,751,188)</u>	<u>(6,751,188)</u>	<u>(6,710,576)</u>	<u>40,612</u>
Net change in fund balances	(188,018)	260,499	568,311	307,812
Fund balance, beginning of year	<u>5,729,738</u>	<u>5,729,738</u>	<u>5,729,738</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,541,720</u>	<u>\$ 5,990,237</u>	<u>\$ 6,298,049</u>	<u>\$ 307,812</u>

City of Garland, Texas
Hotel/Motel and Narcotic Seizure Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2017

	<u>Hotel/Motel Tax</u>				<u>Narcotic Seizure</u>			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Occupancy taxes	\$ 1,197,000	\$ 1,320,000	\$ 1,415,395	\$ 95,395	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	11,883	11,883	2,900	3,700	3,778	78
Awards	-	-	-	-	-	116,110	291,479	175,369
Special event income	8,200	18,000	-	(18,000)	-	-	-	-
Miscellaneous	-	-	-	-	-	-	7,000	7,000
Total revenues	<u>1,205,200</u>	<u>1,338,000</u>	<u>1,427,278</u>	<u>89,278</u>	<u>2,900</u>	<u>119,810</u>	<u>302,257</u>	<u>182,447</u>
Expenditures:								
Current:								
Operations	1,202,491	1,202,298	960,180	242,118	150,000	144,978	214,373	(69,395)
Capital	-	-	-	-	272,160	287,068	304,147	(17,079)
Total expenditures	<u>1,202,491</u>	<u>1,202,298</u>	<u>960,180</u>	<u>242,118</u>	<u>422,160</u>	<u>432,046</u>	<u>518,520</u>	<u>(86,474)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,709</u>	<u>135,702</u>	<u>467,098</u>	<u>331,396</u>	<u>(419,260)</u>	<u>(312,236)</u>	<u>(216,263)</u>	<u>95,973</u>
Other financing sources (uses):								
Transfers out	<u>(209,000)</u>	<u>(209,000)</u>	<u>(209,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(209,000)</u>	<u>(209,000)</u>	<u>(209,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(206,291)	(73,298)	258,098	331,396	(419,260)	(312,236)	(216,263)	95,973
Fund balances, beginning of year	<u>2,273,583</u>	<u>2,273,583</u>	<u>2,273,583</u>	<u>-</u>	<u>753,770</u>	<u>753,770</u>	<u>753,770</u>	<u>-</u>
Fund balances end of year	<u>\$ 2,067,292</u>	<u>\$ 2,200,285</u>	<u>\$ 2,531,681</u>	<u>\$ 331,396</u>	<u>\$ 334,510</u>	<u>\$ 441,534</u>	<u>\$ 537,507</u>	<u>\$ 95,973</u>

City of Garland, Texas Nonmajor Enterprise Funds

Nonmajor Enterprise Funds

The Nonmajor Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing goods and services to the general public on a continuing basis will be financed or recovered through user charges.

Golf Fund – This fund is used to account for the resources and expense associated with a public golf course, administered by a golf professional under the direct supervision of the City Manager.

Heliport Fund – This fund is used to account for the resources and expenses associated with the operations of a heliport.

Storm Water Management Fund – This fund is used to account for the resources and expenses associated with controlling the quality of storm water discharges into lakes and streams.

Parks Performance Fund – This fund is used to account for the resources and expense associated with the operation of recreation activities that receive revenues from user fees.

Sanitation Fund – This fund is used to account for the resources and expenses associated with the collection and recycling of residential and commercial waste.

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Position
September 30, 2017

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
ASSETS						
Current assets						
<i>Unrestricted</i>						
Cash and cash equivalents	\$ 110,168	\$ 81,928	\$ 399,507	\$ 133,889	\$ 1,300,158	\$ 2,025,650
Investments	134,148	101,130	491,969	165,054	1,605,491	2,497,792
Receivable, net of allowance	1,500	595	356,157	528	2,087,117	2,445,897
Accrued interest	140	182	1,919	266	2,866	5,373
Due from other funds	29,758	-	-	-	-	29,758
Due from other governments	175,501	-	-	-	-	175,501
Inventories	75,380	-	-	-	-	75,380
Total current assets	526,595	183,835	1,249,552	299,737	4,995,632	7,255,351
Noncurrent assets						
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	48,442	-	462,413	-	1,097,218	1,608,073
Investments	59,235	-	571,461	-	1,356,205	1,986,901
Accrued interest	107	-	-	-	2,457	2,564
Total construction funds	107,784	-	1,033,874	-	2,455,880	3,597,538
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	16,903,950	746,069	3,369,992	252,838	19,103,984	40,376,833
Construction in progress	14,327	-	-	-	-	14,327
Less accumulated depreciation	(10,646,896)	(699,304)	(2,529,974)	(231,626)	(9,193,872)	(23,301,672)
Net capital assets	15,382,781	1,822,973	840,018	21,212	10,209,048	28,276,032
Total noncurrent assets	15,490,565	1,822,973	1,873,892	21,212	12,664,928	31,873,570
Total assets	\$ 16,017,160	\$ 2,006,808	\$ 3,123,444	\$ 320,949	\$ 17,660,560	\$ 39,128,921
Deferred charges on debt refundings	-	-	-	-	196	196
Deferred charges on pensions	339,394	-	520,080	-	1,712,797	2,572,271
Total deferred outflows	\$ 339,394	\$ -	\$ 520,080	\$ -	\$ 1,712,993	\$ 2,572,467

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Position
September 30, 2017

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
LIABILITIES						
Current Liabilities						
<i>Payable from current assets:</i>						
Accounts payable and accrued liabilities	\$ 186,536	\$ -	\$ 108,763	\$ 11,715	\$ 239,816	\$ 546,830
Accrued general obligation interest	-	-	-	-	83	83
Accrued certificates of obligation interest	-	-	6,497	-	55,385	61,882
Certificates of obligation	-	-	180,000	-	2,630,000	2,810,000
Compensated absences	46,762	-	58,389	-	210,557	315,708
<i>Total current liabilities</i>	<u>233,298</u>	<u>-</u>	<u>353,649</u>	<u>11,715</u>	<u>3,135,841</u>	<u>3,734,503</u>
Long-term Liabilities						
<i>Payable from restricted assets:</i>						
Accounts payable	-	-	-	-	170,874	170,874
<i>Total payable from restricted assets</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,874</u>	<u>170,874</u>
General obligation bonds (net of unamortized premium)	-	-	-	-	17,206	17,206
Certificates of obligation (net of unamortized premium)	-	-	1,035,352	-	8,354,592	9,389,944
OPEB payable	289,094	-	171,702	-	612,684	1,073,480
Compensated absences	19,677	-	-	-	38,914	58,591
Net pension liability	325,794	-	499,240	-	1,644,166	2,469,200
Total long-term liabilities	<u>634,565</u>	<u>-</u>	<u>1,706,294</u>	<u>-</u>	<u>10,667,562</u>	<u>13,008,421</u>
Total Liabilities	<u>867,863</u>	<u>-</u>	<u>2,059,943</u>	<u>11,715</u>	<u>13,974,277</u>	<u>16,913,798</u>
Deferred inflow of resources-pensions	30,216	-	46,301	-	152,483	229,000
Total deferred inflows	<u>30,216</u>	<u>-</u>	<u>46,301</u>	<u>-</u>	<u>152,483</u>	<u>229,000</u>
NET POSITION						
Net investment in capital assets	15,490,565	1,822,973	658,540	21,212	1,492,256	19,485,546
Unrestricted (deficit)	(32,090)	183,835	878,740	288,022	3,754,537	5,073,044
Total net position	<u>\$ 15,458,475</u>	<u>\$ 2,006,808</u>	<u>\$ 1,537,280</u>	<u>\$ 309,234</u>	<u>\$ 5,246,793</u>	<u>\$ 24,558,590</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2017

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$ 3,964,942	\$ 7,118	\$ 3,860,797	\$ 1,220,969	\$ 19,712,847	\$ 28,766,673
Other	57,148	-	-	105,172	71,477	233,797
Total Operating Revenues	<u>4,022,090</u>	<u>7,118</u>	<u>3,860,797</u>	<u>1,326,141</u>	<u>19,784,324</u>	<u>29,000,470</u>
OPERATING EXPENSES						
Salaries and benefits	2,250,650	-	2,134,567	208,627	5,849,267	10,443,111
Landfill fees	-	-	-	-	3,380,308	3,380,308
Maintenance, repairs, and supplies	1,850,094	-	1,021,654	1,014,744	3,944,880	7,831,372
Insurance and other expenses	40,624	-	92,551	-	503,831	637,006
General and administrative	17,105	-	384,180	19,957	1,903,778	2,325,020
Claims	16,149	-	24,223	-	87,810	128,182
Depreciation	925,777	5,361	257,838	19,994	2,409,060	3,618,030
Total Operating Expenses	<u>5,100,399</u>	<u>5,361</u>	<u>3,915,013</u>	<u>1,263,322</u>	<u>18,078,934</u>	<u>28,363,029</u>
Total Operating Income (Loss)	<u>(1,078,309)</u>	<u>1,757</u>	<u>(54,216)</u>	<u>62,819</u>	<u>1,705,390</u>	<u>637,441</u>
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	205,259	-	-	-	69,568	274,827
Gain (loss) on sale of capital assets	3,991	-	70,110	-	271,321	345,422
Investment income	282	924	7,090	920	18,109	27,325
Interest expense	-	-	(9,701)	-	(92,311)	(102,012)
Income (loss) before transfers	<u>(868,777)</u>	<u>2,681</u>	<u>13,283</u>	<u>63,739</u>	<u>1,972,077</u>	<u>1,183,003</u>
TRANSFERS						
Transfers in	500,000	-	-	-	-	500,000
Transfers out	-	-	(5,926)	(100,000)	(1,022,867)	(1,128,793)
Total transfers	<u>500,000</u>	<u>-</u>	<u>(5,926)</u>	<u>(100,000)</u>	<u>(1,022,867)</u>	<u>(628,793)</u>
NET INCOME (LOSS)	<u>(368,777)</u>	<u>2,681</u>	<u>7,357</u>	<u>(36,261)</u>	<u>949,210</u>	<u>554,210</u>
Net position, beginning of year	15,827,252	2,004,127	1,529,923	345,495	4,297,583	24,004,380
Net position, end of year	<u>\$ 15,458,475</u>	<u>\$ 2,006,808</u>	<u>\$ 1,537,280</u>	<u>\$ 309,234</u>	<u>\$ 5,246,793</u>	<u>\$ 24,558,590</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2017

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 3,964,942	\$ 6,523	\$ 3,840,519	\$ 1,220,705	\$ 19,556,949	\$ 28,589,638
Cash payments for goods and services	(1,906,635)	-	(1,523,644)	(1,055,543)	(9,842,594)	(14,328,416)
Cash payments to employees for services	(2,162,258)	-	(2,018,148)	(208,627)	(5,428,871)	(9,817,904)
Other operating revenues	57,149	-	-	105,172	71,477	233,798
Net cash provided by (used for) operating activities	<u>(46,802)</u>	<u>6,523</u>	<u>298,727</u>	<u>61,707</u>	<u>4,356,961</u>	<u>4,677,116</u>
Cash flows from non-capital financing activities:						
Intergovernmental	-	-	-	-	69,568	69,568
Due to other funds - decrease	(206,148)	-	-	-	-	(206,148)
Due from other funds - increase	29,758	-	-	-	-	29,758
Transfers in	500,000	-	-	-	-	500,000
Transfers out	-	-	(5,926)	(100,000)	(1,022,867)	(1,128,793)
Net cash provided by (used for) non-capital financing activities	<u>323,610</u>	<u>-</u>	<u>(5,926)</u>	<u>(100,000)</u>	<u>(953,299)</u>	<u>(735,615)</u>
Cash flows from capital and related financing activities:						
Certificate of obligation issues	-	-	480,000	-	2,975,000	3,455,000
Premium on issuance of debt	-	-	46,828	-	320,420	367,248
Refunding bonds	-	-	-	-	15,000	15,000
Acquisition of capital assets	(51,895)	-	(74,984)	-	(3,811,579)	(3,938,458)
Principal paid on certificates of obligation	-	-	(85,000)	-	(2,280,000)	(2,365,000)
Payment to escrow agent	-	-	-	-	(15,585)	(15,585)
Bond issue costs	-	-	-	-	229	229
Interest paid on certificates of obligation	-	-	(33,515)	-	(374,496)	(408,011)
Proceeds from sale of capital assets	3,991	-	70,110	-	271,321	345,422
Net cash provided by (used for) capital and related financing activities	<u>(47,904)</u>	<u>-</u>	<u>403,439</u>	<u>-</u>	<u>(2,899,690)</u>	<u>(2,544,155)</u>
Cash flows from investing activities:						
Purchase of investment securities	(200,713)	(36,204)	(751,642)	(39,762)	(1,435,092)	(2,463,413)
Proceeds from the sale and maturity of investment securities	79,198	39,339	413,864	74,254	1,346,245	1,952,900
Interest received on investments	160	925	6,549	1,000	18,048	26,682
Net cash provided by (used for) investing activities	<u>(121,355)</u>	<u>4,060</u>	<u>(331,229)</u>	<u>35,492</u>	<u>(70,799)</u>	<u>(483,831)</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2017

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net increase (decrease) in cash and cash equivalents	107,549	10,583	365,011	(2,801)	433,173	913,515
Cash and cash equivalents at beginning of year	51,061	71,345	496,909	136,690	1,964,203	2,720,208
Cash and cash equivalents at end of year	<u>\$ 158,610</u>	<u>\$ 81,928</u>	<u>\$ 861,920</u>	<u>\$ 133,889</u>	<u>\$ 2,397,376</u>	<u>\$ 3,633,723</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (1,078,309)	\$ 1,757	\$ (54,216)	\$ 62,819	\$ 1,705,390	\$ 637,441
Adjustments:						
Depreciation	925,777	5,361	257,838	19,994	2,409,060	3,618,030
Provision for uncollectible accounts	-	-	1,449	-	14,294	15,743
Change in assets and liabilities:						
Decrease in pension related deferred outflows	86,364	-	132,342	-	435,849	654,555
Increase in inventory	(36,897)	-	-	-	-	(36,897)
Increase in net pension liabilities	7,521	-	11,526	-	37,958	57,005
Increase in accounts receivable	(29,758)	(595)	(21,727)	(264)	(170,192)	(222,536)
Increase (decrease) in accounts payable	54,127	-	9,026	(20,842)	14,490	56,801
Decrease in prepaid insurance	13,718	-	-	-	-	13,718
Increase (decrease) in compensated absences	4,133	-	(12,697)	-	(4,827)	(13,391)
Increase (decrease) in OPEB payable	16,148	-	(10,062)	-	(36,476)	(30,390)
Decrease in pension related deferred inflows	(9,626)	-	(14,752)	-	(48,585)	(72,963)
Total adjustments	<u>1,031,507</u>	<u>4,766</u>	<u>352,943</u>	<u>(1,112)</u>	<u>2,651,571</u>	<u>4,039,675</u>
Net cash provided by (used for) operating activities	<u>\$ (46,802)</u>	<u>\$ 6,523</u>	<u>\$ 298,727</u>	<u>\$ 61,707</u>	<u>\$ 4,356,961</u>	<u>\$ 4,677,116</u>
Non-cash transactions:						
Change in restricted accounts payable	-	-	-	-	(142,145)	(142,145)
Increase in fair value of investments	588	307	3,226	501	8,972	13,594

City of Garland, Texas Internal Service Funds

Internal Service Funds

The Internal Service Funds account for the financing of goods or services and insurance premiums and claims provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis.

Group Health Fund – This fund is used to account for an employee medical insurance plan which is administered by a third party. The City makes deposits to the fund each pay period for each employee covered by this medical insurance plan and payment of employees' medical claims are made from this fund.

Self Insurance Fund – This fund is used to account for proceeds from other funds for the payment of claims and to provide a loss reserve for potential future major unanticipated claims.

LTD Insurance Fund – This fund is used to account for proceeds from other funds and employees for the payment of long-term disability claims and to provide a loss reserve for potential future claims.

Fleet Services Fund – This fund is used to account for the cost of operating a centralized fleet maintenance garage, which performs repair and maintenance services for City vehicles.

Vehicle Replacement Fund – This fund is used to account for the proceeds from other funds for the systematic replacement of City vehicles.

Information Technology Fund – This fund is used to account for activities related to administration, operation, and maintenance of the City's electronic data processing and communication systems.

Facilities Management Fund – This fund is used to account for activities related to maintenance and management of City buildings and facilities.

Warehouse Fund – This fund is used to account for the activities related to operation of the City's warehouse center for storage and distribution of supplies.

Customer Service Fund – This fund is used to account for activities related to establishing accounts, meter reading, billing and collection of revenue, and responding to customer inquiries from the day to day operations of City utilities.

City of Garland, Texas
Internal Service Funds
Statement of Net Position
September 30, 2017

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
ASSETS										
Current assets:										
<i>Unrestricted</i>										
Cash and cash equivalents	\$ 2,231,410	\$ 2,331,357	\$ 739,452	\$ 374,421	\$ 4,750,832	\$ 3,286,320	\$ 500,891	\$ -	\$ 7,669,067	\$ 21,883,750
Investments	2,757,210	2,877,614	913,083	464,102	5,858,800	4,055,402	618,385	-	9,063,436	26,608,032
Accrued interest	4,860	5,175	1,640	827	10,302	7,539	1,099	-	16,252	47,694
Other Receivables	305,237	-	-	-	-	1,681,467	50	-	699,136	2,685,890
Inventories	-	-	-	231,729	-	-	-	6,166,704	-	6,398,433
Prepaid expense	-	-	-	56,399	-	-	-	-	-	56,399
Total current assets	5,298,717	5,214,146	1,654,175	1,127,478	10,619,934	9,030,728	1,120,425	6,166,704	17,447,891	57,680,198
Noncurrent assets:										
<i>Restricted</i>										
Construction funds:										
Cash and cash equivalents	-	-	-	248,964	-	770,789	-	2,538	14,609	1,036,900
Investments	-	-	-	306,787	-	965,970	-	3,132	8,824	1,284,713
Accrued interest	-	-	-	591	-	2,945	-	6	32	3,574
Total construction funds	-	-	-	556,342	-	1,739,704	-	5,676	23,465	2,325,187
Capital assets										
Land	-	-	-	-	-	-	-	-	221,949	221,949
System	21,834	7,169	-	2,281,177	36,547,067	34,523,845	53,900	263,818	31,812,969	105,511,779
Construction in progress	-	-	-	1,560,557	-	13,165,367	-	-	-	14,725,924
Less accumulated depreciation	(21,834)	(7,169)	-	(1,854,061)	(25,881,043)	(24,794,642)	(6,994)	(224,615)	(10,072,275)	(62,862,633)
Net capital assets	-	-	-	1,987,673	10,666,024	22,894,570	46,906	39,203	21,962,643	57,597,019
Total noncurrent assets	-	-	-	2,544,015	10,666,024	24,634,274	46,906	44,879	21,986,108	59,922,206
Total assets	5,298,717	5,214,146	1,654,175	3,671,493	21,285,958	33,665,002	1,167,331	6,211,583	39,433,999	117,602,404
Deferred Outflows of Resources										
Deferred charges on debt	-	-	-	55	-	63,170	-	24	76,264	139,513
Deferred charges on pensions	316,385	193,683	-	688,589	-	1,885,182	702,553	171,771	1,753,430	5,711,593
Total deferred outflows	316,385	193,683	-	688,644	-	1,948,352	702,553	171,795	1,829,694	5,851,106
LIABILITIES										
Current Liabilities:										
<i>Payable from current assets</i>										
Accounts payable and accrued liabilities	1,139,556	64,893	34,232	868,344	68,041	314,762	267,231	365,504	570,802	3,693,365
Accrued interest payable:										
General obligation bonds	-	-	-	288	-	14,196	-	128	16,801	31,413
Certificates of obligation	-	-	-	6,740	-	10,461	-	-	95,432	112,633
Customer deposits	-	-	-	-	-	-	-	-	15,172,648	15,172,648
Due to other funds	-	-	-	-	-	-	-	1,765,125	-	1,765,125
Compensated absences	29,102	35,596	-	105,121	-	287,313	126,217	22,061	209,598	815,008
Insurance claims payable	1,663,888	2,774,500	490,000	-	-	-	-	-	-	4,928,388
General obligation bonds	-	-	-	45,000	-	55,000	-	5,000	145,000	250,000
Certificates of obligation	-	-	-	55,000	-	840,000	-	-	1,185,000	2,080,000
Total current liabilities	2,832,546	2,874,989	524,232	1,080,493	68,041	1,521,732	393,448	2,157,818	17,395,281	28,848,580
Long-term Liabilities:										
<i>Payable from restricted assets</i>										
Accounts payable	-	-	-	11,735	-	46,392	-	-	-	58,127
Retainage payable	-	-	-	63,812	-	7,969	-	-	-	71,781
Total payable from restricted assets	-	-	-	75,547	-	54,361	-	-	-	129,908
Advances from other funds	-	-	-	-	-	-	-	3,896,269	-	3,896,269
Certificates of obligation (net of amortized bond premium)	-	-	-	1,518,357	-	1,197,598	-	-	14,899,078	17,615,033
General obligation bonds (net of amortized bond premium and defeased debt cost)	-	-	-	656	-	2,608,390	-	16,260	3,068,525	5,693,831
Compensated absences	8,297	35,887	-	-	-	35,807	10,939	-	-	90,930
Insurance claims payable	-	4,488,140	2,385,700	-	-	-	-	-	-	6,873,840
OPEB payable	98,360	83,146	-	433,063	-	762,380	413,632	129,796	1,163,987	3,084,364
Net pension liability	303,708	185,922	-	660,997	-	1,809,644	674,402	164,888	1,683,171	5,482,732
Total Long-term Liabilities	410,365	4,793,095	2,385,700	2,613,073	-	6,413,819	1,098,973	4,207,213	20,814,761	42,736,999
Total Liabilities	3,242,911	7,668,084	2,909,932	3,769,113	68,041	7,989,912	1,492,421	6,365,031	38,210,042	71,715,487
Deferred Inflows of resources										
Deferred charges on debt	-	-	-	233	-	5,470	-	119	2,022	7,844
Deferred charges on pensions	28,167	17,243	-	61,302	-	167,830	62,546	15,293	156,101	508,482
Total deferred inflows	28,167	17,243	-	61,535	-	173,300	62,546	15,412	158,123	516,326
NET POSITION										
Net investment in capital assets	-	-	-	849,455	10,666,024	19,878,925	46,906	23,619	2,688,505	34,153,434
Unrestricted	2,344,024	(2,277,498)	(1,255,757)	(319,966)	10,551,893	7,571,217	268,011	(20,684)	207,023	17,068,263
Total net position	\$ 2,344,024	\$ (2,277,498)	\$ (1,255,757)	\$ 529,489	\$ 21,217,917	\$ 27,450,142	\$ 314,917	\$ 2,935	\$ 2,895,528	\$ 51,221,697

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2017

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
OPERATING REVENUES:										
Charges for services	\$ -	\$ -	\$ -	\$ 8,417,540	\$ 4,245,792	\$ 18,050,566	\$ 8,243,894	\$ 881,057	\$ 12,188,275	\$ 52,027,124
Premiums	28,558,685	5,816,520	476,428	-	-	-	-	-	-	34,851,633
Other	901,691	113,533	-	4,323	8,524	80,760	-	20,024	121,882	1,250,737
Total Operating Revenues	29,460,376	5,930,053	476,428	8,421,863	4,254,316	18,131,326	8,243,894	901,081	12,310,157	88,129,494
OPERATING EXPENSES:										
Salaries and benefits	1,102,160	2,188,270	-	2,376,402	-	6,876,535	2,316,245	647,929	6,387,896	21,895,437
Maintenance, repairs, and other	218,590	273,315	-	5,113,103	99,360	6,625,613	5,251,503	24,950	1,653,322	19,259,756
Premiums	4,719,255	1,910,266	-	-	-	-	-	-	-	6,629,521
Claims	20,788,640	760,911	440,182	35,326	-	63,586	35,326	10,093	94,875	22,228,939
Administrative services	1,320,754	61,145	-	-	-	-	-	-	-	1,381,899
General and administrative	206,575	113,853	-	832,026	-	1,357,989	537,786	232,434	2,878,242	6,158,905
Depreciation	-	-	-	53,164	3,892,922	2,791,803	5,181	18,371	1,294,577	8,056,018
Total Operating Expenses	28,355,974	5,307,760	440,182	8,410,021	3,992,282	17,715,526	8,146,041	933,777	12,308,912	85,610,475
Total Operating Income (Loss)	1,104,402	622,293	36,246	11,842	262,034	415,800	97,853	(32,696)	1,245	2,519,019
NONOPERATING REVENUES (EXPENSES):										
Investment income	18,543	21,679	8,462	11,282	49,421	83,430	5,360	29	81,914	280,120
Interest expense	-	-	-	(36,144)	-	(172,259)	-	(448)	(840,959)	(1,049,810)
Gain (loss) on sale of capital assets	-	-	-	-	745,724	-	2,500	-	-	748,224
Total nonoperating revenues (expenses)	18,543	21,679	8,462	(24,862)	795,145	(88,829)	7,860	(419)	(759,045)	(21,466)
Income (loss) before transfers	1,122,945	643,972	44,708	(13,020)	1,057,179	326,971	105,713	(33,115)	(757,800)	2,497,553
TRANSFERS										
Transfers in	282,506	(299,936)	-	-	186,814	-	-	-	657,469	826,853
Transfers out	-	(75,208)	-	(8,043)	(400)	(305,864)	(4,467)	-	(8,889)	(402,871)
Net transfers	282,506	(375,144)	-	(8,043)	186,414	(305,864)	(4,467)	-	648,580	423,982
NET INCOME (LOSS)	1,405,451	268,828	44,708	(21,063)	1,243,593	21,107	101,246	(33,115)	(109,220)	2,921,535
Net position, beginning of year	938,573	(2,546,326)	(1,300,465)	550,552	19,974,324	27,429,035	213,671	36,050	3,004,748	48,300,162
Net position, end of year	\$ 2,344,024	\$ (2,277,498)	\$ (1,255,757)	\$ 529,489	\$ 21,217,917	\$ 27,450,142	\$ 314,917	\$ 2,935	\$ 2,895,528	\$ 51,221,697

City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2017

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Internal Service Funds
Cash flows from operating activities:										
Cash received from customers	\$ 28,253,448	\$ 5,816,520	\$ 476,428	\$ 8,417,540	\$ 4,245,792	\$ 16,383,523	\$ 8,243,844	\$ 881,057	\$ 12,292,666	\$ 85,010,818
Cash received for customer deposits	-	-	-	-	-	-	-	-	652,367	852,367
Cash payments for goods and services	(27,038,905)	(3,391,756)	(437,157)	(5,667,565)	(71,782)	(8,257,560)	(5,706,243)	(708,918)	(4,369,941)	(55,649,827)
Cash payments to employees for services	(1,018,774)	(2,132,404)	-	(2,201,330)	-	(6,408,367)	(2,124,536)	(605,812)	(5,948,622)	(20,439,845)
Other operating revenues	901,691	113,533	-	4,323	8,524	80,760	-	20,024	121,881	1,250,736
Net cash provided by (used for) operating activities	1,097,460	405,893	39,271	552,968	4,182,534	1,798,356	413,065	(413,649)	2,748,351	10,824,249
Cash flows from non-capital financing activities:										
Due to other funds - increase	-	-	-	-	-	-	-	418,106	-	418,106
Transfers in	282,506	(299,936)	-	-	186,814	-	-	-	657,469	826,853
Transfers out	-	(75,208)	-	(8,043)	(400)	(305,864)	(4,467)	-	(8,889)	(402,871)
Net cash provided by (used for) non-capital financing activities	282,506	(375,144)	-	(8,043)	186,414	(305,864)	(4,467)	418,106	648,580	842,088
Cash flows from capital and financing activities:										
Certificate of obligation issues	-	-	-	-	-	575,000	-	-	-	575,000
Refunding bonds	-	-	-	45,000	-	2,330,000	-	20,000	2,560,000	4,955,000
Premium on issuance of debt	-	-	-	2,060	-	447,624	-	1,822	383,528	835,034
Acquisition of capital assets	-	-	-	(1,361,868)	(4,084,015)	(9,445,729)	(24,900)	-	(23,088)	(14,939,600)
Principal paid on certificates of obligation	-	-	-	(130,000)	-	(890,000)	-	-	(1,125,000)	(2,145,000)
Principal paid on general obligation bonds	-	-	-	(10,000)	-	-	-	(5,000)	(155,000)	(170,000)
Interest paid on certificates of obligation	-	-	-	(66,389)	-	(131,984)	-	-	(823,658)	(1,022,031)
Interest paid on general obligations	-	-	-	(3,971)	-	(71,571)	-	(1,208)	(92,862)	(169,612)
Payment to escrow agent	-	-	-	(45,939)	-	(2,686,151)	-	(20,484)	(2,956,672)	(5,709,246)
Bond issuance costs	-	-	-	2,215	-	50,201	-	413	45,206	98,035
Proceeds from sale of assets	-	-	-	-	784,284	-	2,500	-	-	786,784
Net cash used for financing activities	-	-	-	(1,568,892)	(3,299,731)	(9,822,610)	(22,400)	(4,457)	(2,187,546)	(16,905,636)
Cash flows from investing activities:										
Purchase of investment securities	(1,694,180)	(935,528)	(315,215)	(416,586)	(2,506,849)	(1,880,322)	(426,657)	(1,003)	(3,668,942)	(11,845,282)
Proceeds from the sale and maturity of investment securities	1,071,446	1,119,437	355,059	1,074,686	2,281,185	7,146,510	240,511	1,219	3,531,898	16,821,951
Interest received on investments	15,498	21,680	8,495	12,426	48,883	90,982	5,124	30	81,399	284,517
Net cash provided by (used for) investing activities	(607,236)	205,589	48,339	670,526	(176,781)	5,357,170	(181,022)	246	(55,645)	5,261,186
Net increase (decrease) in cash and cash equivalents	772,730	236,338	87,610	(353,441)	892,436	(2,972,948)	205,176	246	1,153,740	21,887
Cash and cash equivalents at beginning of year	1,458,680	2,095,019	651,842	976,826	3,858,396	7,030,057	295,715	2,292	6,529,936	22,898,763
Cash and cash equivalents at end of year	\$ 2,231,410	\$ 2,331,357	\$ 739,452	\$ 623,385	\$ 4,750,832	\$ 4,057,109	\$ 500,891	\$ 2,538	\$ 7,683,676	\$ 22,920,650
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	\$ 1,104,402	\$ 622,293	\$ 36,246	\$ 11,842	\$ 262,034	\$ 415,800	\$ 97,853	\$ (32,696)	\$ 1,245	\$ 2,519,019
Adjustments:										
Depreciation	-	-	-	53,164	3,892,922	2,791,803	5,181	18,371	1,294,577	8,056,018
Change in assets and liabilities:										
Decrease in pension related deferred outflows	80,510	49,286	-	175,222	-	479,715	178,776	43,710	446,189	1,453,408
Increase in inventory	-	-	-	(36,791)	-	-	-	(300,044)	-	(336,835)
Increase in net pension liability	7,012	4,292	-	15,260	-	41,779	15,569	3,806	38,859	126,577
(Increase) decrease in accounts receivable	(305,237)	-	-	-	-	(1,667,044)	(50)	-	104,391	(1,867,940)
Increase (decrease) in accounts payable	420,742	(277,313)	3,025	260,751	27,578	(273,957)	83,046	(151,491)	161,622	254,003
Increase in customer deposits	-	-	-	-	-	-	-	-	652,367	652,367
Increase (decrease) in compensated absences	4,839	7,782	-	4,121	-	148	17,292	(527)	3,963	37,618
Decrease in prepaid expense	-	-	-	53,606	-	-	-	-	-	53,606
Increase in OPEB payable	12,112	5,047	-	35,326	-	63,587	35,326	10,093	94,875	256,366
Decrease in insurance claims payable	(8,974)	-	-	-	-	-	-	-	-	(217,946)
Decrease in pension related deferred inflows	(8,974)	(5,494)	-	(19,533)	-	(53,475)	(19,928)	(4,871)	(49,737)	(162,012)
Total adjustments	(6,942)	(216,400)	3,025	541,126	3,920,500	1,382,556	315,212	(380,953)	2,747,106	8,305,230
Net cash provided by (used for) operating activities	\$ 1,097,460	\$ 405,893	\$ 39,271	\$ 552,968	\$ 4,182,534	\$ 1,798,356	\$ 413,065	\$ (413,649)	\$ 2,748,351	\$ 10,824,249
Non-cash transactions:										
Change in restricted accounts payable	\$ -	\$ -	\$ -	\$ 9,270	\$ -	\$ (3,179,444)	\$ -	\$ -	\$ -	\$ (3,170,174)
Increase in fair value of investments	8,351	8,725	2,768	2,333	17,781	15,184	1,875	10	27,531	84,558



GARLAND

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**CITY OF GARLAND, TEXAS
Statistical Section
(Unaudited)**

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Garland
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)**

Table 1

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 152,134,216	\$ 151,311,862	\$ 119,059,830	\$ 109,150,600	\$ 95,930,730	\$ 127,763,560	\$ 125,858,168	\$ 141,966,385	\$ 150,422,234	\$ 177,385,098
Restricted	24,872,761	18,134,847	13,646,512	12,875,368	9,106,322	7,859,043	7,574,847	6,284,970	7,904,536	8,365,076
Unrestricted	(8,120,300)	(6,063,639)	25,421,938	32,036,457	39,027,078	1,315,954	6,157,462	11,717,842	7,879,932	699,772
Total governmental activities net position	<u>\$ 168,886,677</u>	<u>\$ 163,383,070</u>	<u>\$ 158,128,280</u>	<u>\$ 154,062,425</u>	<u>\$ 144,064,130</u>	<u>\$ 136,938,557</u>	<u>\$ 139,590,477</u>	<u>\$ 159,969,197</u>	<u>\$ 166,206,702</u>	<u>\$ 186,449,946</u>
Business-type activities										
Net investment in capital assets	\$ 355,663,983	\$ 337,930,445	\$ 334,698,641	\$ 343,566,237	\$ 346,557,013	\$ 438,249,356	\$ 365,960,688	\$ 376,738,418	\$ 393,233,982	\$ 408,670,773
Restricted	80,549,836	82,525,231	116,110,801	157,524,421	196,275,271	178,691,456	180,855,772	182,974,266	184,733,224	186,750,517
Unrestricted	71,341,607	121,136,206	115,801,273	118,212,758	118,547,358	53,537,669	123,189,978	124,110,995	91,707,333	61,283,046
Total business-type activities net position	<u>\$ 507,555,426</u>	<u>\$ 541,591,882</u>	<u>\$ 566,610,715</u>	<u>\$ 619,303,416</u>	<u>\$ 661,379,642</u>	<u>\$ 670,478,481</u>	<u>\$ 670,006,438</u>	<u>\$ 683,823,679</u>	<u>\$ 669,674,539</u>	<u>\$ 656,704,336</u>
Primary government										
Net investment in capital assets	\$ 507,798,199	\$ 489,242,307	\$ 453,758,471	\$ 452,716,837	\$ 442,487,743	\$ 566,012,916	\$ 491,818,856	\$ 518,704,803	\$ 543,656,216	\$ 586,055,871
Restricted	105,422,597	100,660,078	129,757,313	170,399,789	205,381,593	186,550,499	188,430,619	189,259,236	192,637,760	195,115,593
Unrestricted	63,221,307	115,072,567	141,223,211	150,249,215	157,574,436	54,853,623	129,347,440	135,828,837	99,587,265	61,982,818
Total primary government activities net position	<u>\$ 676,442,103</u>	<u>\$ 704,974,952</u>	<u>\$ 724,738,995</u>	<u>\$ 773,365,841</u>	<u>\$ 805,443,772</u>	<u>\$ 807,417,038</u>	<u>\$ 809,596,915</u>	<u>\$ 843,792,876</u>	<u>\$ 835,881,241</u>	<u>\$ 843,154,282</u>

**City of Garland
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)**

Table 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 31,821,475	\$ 31,153,948	\$ 32,846,193	\$ 29,640,148	\$ 29,569,285	\$ 29,243,108	\$ 27,639,946	\$ 28,672,583	\$ 32,857,828	\$ 33,421,800
Public safety	85,948,538	88,837,476	86,168,466	90,653,595	90,755,164	92,128,110	91,105,170	93,438,294	103,855,466	107,419,896
Public works	41,491,649	40,530,087	41,358,430	42,540,513	41,666,670	40,870,496	41,893,889	42,473,055	46,703,808	39,356,985
Culture and recreation	19,925,775	19,849,963	19,505,793	21,566,920	20,805,012	21,442,173	20,820,273	21,780,835	24,405,765	24,743,188
Public health	3,346,806	3,455,498	3,604,317	3,881,311	4,018,652	4,322,827	4,105,273	4,401,399	4,819,386	4,682,394
Interest and fiscal charges	10,476,757	12,888,091	12,713,773	11,968,097	12,038,048	11,094,537	9,696,538	8,323,617	8,833,481	8,391,567
Total governmental activities expenses	193,011,000	196,715,063	196,196,972	200,250,584	198,852,831	199,101,251	195,261,089	199,089,783	221,475,734	218,015,830
Business-type activities:										
Electric	255,025,955	183,527,066	191,187,490	164,547,930	166,360,005	271,815,312	344,969,100	319,583,367	281,386,514	282,989,503
Water	29,979,447	33,000,743	34,274,026	38,602,207	40,702,500	43,758,542	46,952,415	48,965,136	54,403,015	58,299,626
Sewer	29,021,769	30,838,009	33,643,084	34,307,982	36,348,765	36,288,797	36,080,645	35,609,533	36,662,146	37,321,258
Golf	2,827,100	2,801,539	3,636,869	4,766,551	4,922,780	4,889,818	4,738,094	4,808,720	4,926,096	5,080,114
Heliport	27,335	27,482	39,590	30,292	85,480	5,365	5,329	5,351	5,350	5,344
Storm water management	3,192,094	3,176,002	3,598,351	3,669,785	3,519,113	3,926,814	3,996,717	3,949,180	3,878,831	3,842,023
Parks performance	702,176	818,781	778,409	965,305	1,022,947	964,590	1,031,470	1,113,223	1,233,076	1,259,287
Sanitation	15,618,088	15,558,875	15,943,590	16,045,778	16,972,881	16,965,951	17,415,020	17,085,912	17,786,836	17,841,828
Total business-type activities expenses	336,393,964	269,748,497	283,101,409	262,935,830	269,934,471	378,615,189	455,188,790	431,120,422	400,281,864	406,638,983
Total primary government expenses	\$ 529,404,964	\$ 466,463,560	\$ 479,298,381	\$ 463,186,414	\$ 468,787,302	\$ 577,716,440	\$ 650,449,879	\$ 630,210,205	\$ 621,757,598	\$ 624,654,813
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,687,922	\$ 6,010,639	\$ 6,086,998	\$ 6,403,716	\$ 6,761,126	\$ 6,792,917	\$ 6,771,546	\$ 7,211,710	\$ 8,235,397	\$ 8,432,962
Public safety	9,335,039	12,015,983	11,904,259	12,685,675	14,130,333	15,467,011	14,845,171	15,447,629	17,925,072	19,019,451
Public works	12,565,983	13,317,251	12,326,162	18,311,836	14,710,176	14,626,584	14,690,728	16,858,348	20,301,355	19,976,447
Culture and recreation	1,655,630	1,871,402	1,701,121	1,673,984	1,523,989	1,726,202	1,562,302	1,580,984	1,489,423	1,367,082
Public health	321,296	314,819	501,507	283,433	409,920	534,179	494,343	460,154	546,298	539,542
Operating grants and contributions	21,055,526	17,351,640	21,420,963	21,723,466	16,885,088	17,203,324	14,290,332	14,640,650	15,090,766	16,271,994
Capital grants and contributions	6,398,010	2,082,015	974,984	649,244	815,387	1,785,232	560,265	2,695,395	8,377,011	12,892,981
Total governmental activities program revenues	58,019,406	52,963,749	54,915,994	61,731,354	55,236,019	58,135,449	53,214,687	58,894,870	71,965,322	78,500,459
Business-type activities:										
Charges for services:										
Electric	270,716,085	229,710,285	231,758,075	222,638,789	222,228,397	296,866,570	376,657,906	338,473,487	278,334,789	279,846,202
Water	30,974,200	34,236,560	40,688,647	50,472,770	46,525,981	50,176,879	49,536,979	57,135,679	63,373,281	63,623,236
Sewer	35,436,808	38,396,280	40,316,535	41,809,811	42,172,904	41,831,894	43,460,465	43,609,415	44,628,715	44,237,184
Golf	2,069,842	1,996,599	2,163,761	3,596,869	3,724,490	3,677,689	3,630,768	3,528,120	3,577,522	3,964,942
Heliport	6,299	6,451	6,528	6,523	6,713	6,865	6,956	7,018	7,032	7,118
Storm water management	3,160,313	3,137,707	3,455,484	3,775,995	3,840,350	3,824,990	3,820,130	3,829,343	3,819,769	3,860,797
Parks performance	744,918	831,481	694,108	1,004,106	1,052,256	1,124,046	1,005,702	1,091,961	1,198,950	1,220,969
Sanitation	15,574,619	16,191,391	15,750,835	16,406,642	16,898,137	17,469,768	17,586,500	19,243,412	19,379,321	19,712,847
Operating grants and contributions	-	-	-	-	-	-	-	-	-	884,150
Capital grants and contributions	4,226,700	3,679,673	878,483	3,213,159	1,249,457	1,787,937	953,011	1,678,626	2,534,605	3,113,641
Total business-type activities program revenues	362,909,784	328,186,427	335,712,456	342,924,664	337,698,685	416,766,638	496,658,417	468,597,061	416,853,984	420,471,086
Total primary government program revenues	\$ 420,929,190	\$ 381,150,176	\$ 390,628,450	\$ 404,656,018	\$ 392,934,704	\$ 474,902,087	\$ 549,873,104	\$ 527,491,931	\$ 488,819,306	\$ 498,971,545

City of Garland
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

Table 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (134,991,594)	\$ (143,751,314)	\$ (141,280,978)	\$ (138,519,230)	\$ (143,616,812)	\$ (140,965,802)	\$ (142,046,402)	\$ (140,194,913)	\$ (149,510,412)	\$ (139,515,371)
Business-type activities	26,515,820	58,437,930	52,611,047	79,988,834	67,764,214	38,151,449	41,469,627	37,476,639	16,572,120	13,832,103
Total primary government net expense	<u>\$ (108,475,774)</u>	<u>\$ (85,313,384)</u>	<u>\$ (88,669,931)</u>	<u>\$ (58,530,396)</u>	<u>\$ (75,852,598)</u>	<u>\$ (102,814,353)</u>	<u>\$ (100,576,775)</u>	<u>\$ (102,718,274)</u>	<u>\$ (132,938,292)</u>	<u>\$ (125,683,268)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 74,677,018	\$ 77,869,371	\$ 75,675,105	\$ 72,960,307	\$ 71,712,486	\$ 71,160,273	\$ 71,507,322	\$ 74,345,310	\$ 79,069,419	\$ 87,329,443
Sales taxes	23,694,596	22,041,066	21,648,693	21,609,756	22,684,164	23,537,389	24,667,765	26,497,069	30,234,776	29,894,875
Franchise taxes	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388	8,646,942	9,091,491	8,832,022	8,452,280	8,746,777
Hotel/motel taxes	469,185	483,639	562,590	687,233	773,753	825,003	896,702	1,071,660	1,356,259	1,415,395
Mixed drink taxes	216,527	233,290	263,272	262,941	238,486	255,607	327,324	351,879	370,992	401,934
Bingo taxes	87,133	105,488	99,634	100,691	104,178	106,252	105,701	105,198	116,434	86,889
Unrestricted investment earnings	3,486,049	2,771,407	730,796	512,142	648,009	266,319	679,278	821,107	913,992	1,117,176
Miscellaneous	46,672	(58,601)	28,089	89,257	85,561	59,186	132,933	2,788,292	251,073	606,208
Transfers	26,274,111	26,866,448	28,665,953	29,975,230	29,484,492	30,796,507	39,628,270	32,236,236	34,982,692	30,159,918
Total governmental activities	<u>137,323,700</u>	<u>138,247,707</u>	<u>136,026,188</u>	<u>134,453,375</u>	<u>133,618,517</u>	<u>135,653,478</u>	<u>147,036,786</u>	<u>147,048,773</u>	<u>155,747,917</u>	<u>159,758,615</u>
Business-type activities:										
Unrestricted investment earnings	7,794,879	5,031,184	1,426,960	1,045,332	1,703,509	42,619	1,481,986	1,823,835	1,671,185	1,961,783
Miscellaneous	3,235,856	(2,566,210)	1,176,711	1,633,765	2,092,995	1,701,278	2,074,837	1,701,956	2,590,247	1,395,829
Loss on sale of capital assets	-	-	(1,529,932)	-	-	-	-	-	-	-
Special item-impairment of electric assets	(3,547,982)	-	-	-	-	-	-	-	-	-
Transfers	(26,274,111)	(26,866,448)	(28,665,953)	(29,975,230)	(29,484,492)	(30,796,507)	(39,628,270)	(32,236,236)	(34,982,692)	(30,159,918)
Total business-type activities	<u>(18,791,358)</u>	<u>(24,401,474)</u>	<u>(27,592,214)</u>	<u>(27,296,133)</u>	<u>(25,687,988)</u>	<u>(29,052,610)</u>	<u>(36,071,447)</u>	<u>(28,710,445)</u>	<u>(30,721,260)</u>	<u>(26,802,306)</u>
Total primary government	<u>\$ 118,532,342</u>	<u>\$ 113,846,233</u>	<u>\$ 108,433,974</u>	<u>\$ 107,157,242</u>	<u>\$ 107,930,529</u>	<u>\$ 106,600,868</u>	<u>\$ 110,965,339</u>	<u>\$ 118,338,328</u>	<u>\$ 125,026,657</u>	<u>\$ 132,956,309</u>
Change in Net Position										
Governmental activities	\$ 2,332,106	\$ (5,503,607)	\$ (5,254,790)	(4,065,855)	(9,998,295)	(5,312,324)	4,990,384	6,853,860	6,237,505	20,243,244
Business-type activities	7,724,462	34,036,456	25,018,833	52,692,701	42,076,226	9,098,839	5,398,180	8,766,194	(14,149,140)	(12,970,203)
Cumulative effect of change in acctg principle	-	-	-	-	-	-	(8,208,687)	18,575,907	-	-
Total primary government	<u>\$ 10,056,568</u>	<u>\$ 28,532,849</u>	<u>\$ 19,764,043</u>	<u>\$ 48,626,846</u>	<u>\$ 32,077,931</u>	<u>\$ 3,786,515</u>	<u>\$ 2,179,877</u>	<u>\$ 34,195,961</u>	<u>\$ (7,911,635)</u>	<u>\$ 7,273,041</u>

City of Garland
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/Motel Tax	Mixed Drink Tax	Bingo Tax	Total
2008	\$ 74,677,018	\$ 23,694,596	\$ 8,598,552	\$ 469,185	\$ 216,527	\$ 87,133	\$ 107,743,011
2009	77,869,371	22,041,066	7,935,599	483,639	233,290	105,488	108,668,453
2010	75,591,153	21,573,549	8,352,056	562,590	263,272	99,634	106,442,254
2011	72,960,307	21,609,756	8,255,818	687,233	262,941	100,691	103,876,746
2012	71,712,486	22,684,164	7,887,388	773,753	238,486	104,178	103,400,455
2013	71,160,273	23,537,389	8,646,942	825,003	255,607	106,252	104,531,466
2014	71,507,322	24,667,765	9,091,491	896,702	327,324	105,701	106,596,305
2015	74,345,310	26,497,069	8,832,022	1,071,660	351,879	105,198	111,203,138
2016	79,069,419	30,234,776 *	8,452,280	1,356,259	370,992	116,434	119,600,160
2017	87,329,443	29,894,875	8,746,777	1,415,395	401,934	86,889	127,875,313

* Sales tax includes a one-time audit adjustment of \$1,267,967.

**City of Garland
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)**

Table 4

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved for other	\$ 231,850	\$ 394,642	\$ 564,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for construction				762,541	758,444	1,531,005	135,552	820,577	851,283	762,777
Assigned				4,730,000	4,730,000	4,480,000	4,230,000	3,980,000	3,730,000	3,480,000
Unreserved	17,050,423	18,480,293	19,639,675	-	-	-	-	-	-	-
Unassigned				13,881,953	16,575,077	18,252,865	21,364,117	20,944,205	22,467,723	30,955,648
Total general fund	<u>\$ 17,282,273</u>	<u>\$ 18,874,935</u>	<u>\$ 20,204,524</u>	<u>\$ 19,374,494</u>	<u>\$ 22,063,521</u>	<u>\$ 24,263,870</u>	<u>\$ 25,729,669</u>	<u>\$ 25,744,782</u>	<u>\$ 27,049,006</u>	<u>\$ 35,198,425</u>
All other government funds										
Reserved for:										
Debt service	\$ 5,285,612	\$ 6,140,162	\$ 6,051,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital project funds	5,166,823	-	-	-	-	-	-	-	-	-
Special revenue funds	14,188,476	14,329,972	9,411,927	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	8,678,081	3,721,683	4,624,832	-	-	-	-	-	-	-
Capital project funds	5,649,541	1,727,367	(3,467,032)	-	-	-	-	-	-	-
Non spendable:										
Prepaid	-	-	-	902,142	-	-	-	-	-	-
Restricted for:										
General government	-	-	-	1,122,223	39,730,596	33,393,625	22,931,442	344,704	460,690	619,178
Debt service	-	-	-	6,265,763	5,241,033	6,314,007	7,843,714	6,235,664	5,729,738	6,298,049
Parks construction	-	-	-	-	-	-	-	115,016	368,549	961,391
Streets and drainage	-	-	-	-	-	-	-	68,129	2,748,505	11,292,276
Public facilities	-	-	-	-	-	-	-	42,207,841	36,664,668	38,207,888
Other capital projects	-	-	-	3,577,680	1,774,748	1,727,296	1,035,676	6,921,928	237,619	828,678
Housing assistance	-	-	-	1,305,371	984,567	935,202	570,169	1,005,267	1,354,176	1,176,106
Public safety	-	-	-	-	53,785	-	-	786,043	798,548	567,248
Committed for:										
Neighborhood services	-	-	-	303,531	332,670	444,858	453,849	426,644	528,668	512,220
Culture & recreation	-	-	-	-	-	-	-	1,963,149	2,273,584	2,531,681
Landfill closure	-	-	-	1,429,229	1,615,772	1,934,063	2,149,180	197,263	25,631	25,932
Public works and infrastructure	-	-	-	4,240,615	4,626,022	5,006,527	5,404,617	6,643,558	7,352,692	6,628,149
Unassigned										
Capital project funds	-	-	-	(5,016,257)	-	-	-	-	-	-
Nonmajor governmental funds	-	-	-	-	-	-	(5,500)	-	-	-
Total all other governmental funds	<u>\$ 38,968,533</u>	<u>\$ 25,919,184</u>	<u>\$ 16,621,174</u>	<u>\$ 14,130,297</u>	<u>\$ 54,359,193</u>	<u>\$ 49,755,578</u>	<u>\$ 40,383,147</u>	<u>\$ 66,915,206</u>	<u>\$ 58,543,068</u>	<u>\$ 69,648,796</u>

Note: The City implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

City of Garland
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 99,567,491	\$ 100,620,433	\$ 98,370,888	\$ 95,523,675	\$ 95,535,319	\$ 95,793,994	\$ 97,585,254	\$ 102,157,106	\$ 110,932,701	\$ 119,054,419
Franchise fees	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388	8,646,942	9,091,491	8,832,022	8,452,280	8,746,777
Service charges	17,268,733	17,537,722	16,929,426	18,102,510	20,411,968	20,239,605	20,791,739	22,040,585	26,789,030	26,037,157
Licenses and permits	2,632,116	2,566,182	3,085,185	2,893,000	3,751,589	3,393,137	3,781,703	3,860,441	4,906,892	5,201,460
Investment earnings	3,486,049	1,739,575	501,419	384,119	482,567	243,088	529,912	607,191	625,129	837,061
Intergovernmental	19,709,837	16,786,683	19,995,862	20,304,725	15,573,047	16,079,825	13,450,076	13,692,567	14,656,626	14,628,063
Charges for services	6,727,768	7,324,102	7,430,975	7,871,534	8,010,474	7,973,376	8,002,858	8,576,934	8,975,685	9,426,444
Fines and forfeits	5,195,729	6,064,644	5,627,058	5,097,867	6,110,138	6,955,299	6,730,988	6,608,238	7,521,426	8,586,513
Rents and concessions	1,066,932	1,089,898	947,961	762,914	788,504	804,298	833,456	829,410	748,504	745,942
Assessments	37,546	32,609	49,455	34,223	61,182	61,779	77,710	195,043	82,743	39,797
Impact fees	728,946	140,278	252,767	289,553	368,620	377,520	380,120	1,405,625	714,624	1,640,837
Contributions	8,173	418,424	619,197	5,219,595	31,881	-	-	30,847	151,654	-
Program income	251,679	135,695	163,681	193,209	376,059	365,103	292,533	408,698	740,485	360,193
Special event income	-	-	-	174,578	-	216,026	-	-	-	-
Miscellaneous	1,174,425	1,998,868	1,124,216	2,248,086	998,201	2,342,106	815,199	1,358,754	4,879,561	12,237,187
Awards	347,993	374,145	665,163	467,831	573,187	192,737	230,571	334,576	218,681	291,479
Total Revenues	166,575,826	164,764,857	164,115,309	167,823,237	160,960,124	163,684,835	162,593,610	170,938,037	190,396,021	207,833,329
Expenditures										
General government	9,035,894	10,183,430	9,817,583	9,415,810	9,339,438	9,820,852	10,066,773	10,335,083	12,471,750	11,784,388
Public safety	75,115,520	75,268,367	74,890,153	77,463,425	77,639,802	78,338,393	79,341,146	81,633,191	87,878,926	89,743,140
Public works	9,659,895	8,931,181	8,709,794	19,151,977	18,457,911	17,391,246	19,617,640	20,656,938	22,529,626	22,329,429
Culture and recreation	13,209,936	12,550,200	12,641,150	13,245,845	12,794,896	13,218,113	13,371,187	13,573,292	14,366,431	15,083,685
Public health	2,965,945	2,893,506	3,189,738	3,174,073	3,364,592	3,579,737	3,606,072	3,763,652	3,885,801	3,801,719
Nondepartmental	17,075,180	16,941,189	17,315,649	18,695,922	19,086,070	21,243,401	20,992,758	23,629,265	26,805,888	24,798,432
Operations	29,652,263	28,925,801	28,602,430	17,392,687	16,978,956	15,974,313	15,229,201	14,635,127	15,326,008	15,376,461
Capital Outlay	28,377,230	16,664,598	18,721,222	19,475,793	12,977,724	18,460,127	30,798,802	18,359,468	29,638,166	30,314,161
Debt service										
Principal	15,317,098	16,637,994	17,476,637	16,165,582	17,922,725	17,370,398	20,108,094	19,810,813	21,600,000	21,980,000
Interest	11,353,053	12,767,629	10,879,254	10,215,634	8,991,405	11,900,025	9,949,833	9,078,192	10,308,594	8,939,092
Issue costs on issuance of debt	720,789	35,000	70,000	107,306	1,038,554	307,935	311,537	313,973	-	490,612
Other charges	162,728	475,849	617,619	758,265	454,846	339,837	72,285	406,218	300,280	319,197
Total expenditures	212,645,531	202,274,744	202,931,229	205,262,319	199,046,919	207,944,377	223,465,328	216,195,212	245,111,470	244,960,316
Excess of revenues over (under) expenditures	(46,069,705)	(37,509,887)	(38,815,920)	(37,439,082)	(38,086,795)	(44,259,542)	(60,871,718)	(45,257,175)	(54,715,449)	(37,126,987)
Other financing sources (uses)										
Sale of capital assets	2,204,592	363,244	112,389	25,747	117,097	528,187	1,232,275	167,619	624,725	557,911
Transfers in	40,925,950	40,823,290	49,485,628	47,439,233	42,083,177	37,847,598	50,731,130	49,149,623	44,272,571	49,444,705
Transfers out	(17,903,902)	(15,483,332)	(20,970,518)	(16,395,360)	(12,675,653)	(7,209,853)	(8,541,923)	(19,724,709)	(14,019,482)	(19,708,769)
Issuance of debt	59,830,000	350,000	2,220,000	2,545,000	46,245,000	10,835,000	9,110,000	40,370,000	14,765,000	23,490,000
Premium on issuance of debt	2,761,825	-	-	280,745	4,905,097	1,165,344	1,447,424	3,081,644	2,004,721	10,211,911
Refunding proceeds	26,940,000	-	-	4,655,000	17,365,000	6,650,000	17,515,000	34,525,000	-	55,425,000
Payment to bond refunding agent	(27,401,656)	-	-	(4,432,030)	(17,035,000)	(7,960,000)	(18,528,820)	(35,764,832)	-	(63,038,619)
Total other financing sources (uses)	87,356,809	26,053,202	30,847,499	34,118,335	81,004,718	41,856,276	52,965,086	71,804,345	47,647,535	56,382,139
Net change in fund balances	\$ 41,287,104	\$ (11,456,685)	\$ (7,968,421)	\$ (3,320,747)	\$ 42,917,923	\$ (2,403,266)	\$ (7,906,632)	\$ 26,547,170	\$ (7,067,914)	\$ 19,255,152
Debt service as a percentage of noncapital expenditures	14.47%	15.84%	15.39%	14.20%	14.46%	15.45%	15.60%	14.60%	14.81%	14.40%

City of Garland
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(unaudited)

Table 6

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2008	\$ 7,648,835,020	\$ 4,389,881,820	777,754,050	\$ 1,933,972,589	\$ 10,882,498,301	0.6886
2009	7,533,422,800	4,849,225,450	867,229,570	2,128,083,759	11,121,794,061	0.6996
2010	7,329,071,850	4,695,542,330	892,371,360	2,198,702,169	10,718,283,371	0.7046
2011	7,189,739,690	4,456,246,940	868,476,430	2,162,392,225	10,352,070,835	0.7046
2012	7,073,235,060	4,482,821,460	856,956,640	2,292,980,261	10,120,032,899	0.7046
2013	6,925,794,480	4,465,116,770	925,935,130	2,347,404,371	9,969,442,009	0.7046
2014	6,900,021,740	4,679,026,760	879,388,670	2,425,139,035	10,033,298,135	0.7046
2015	7,113,456,210	4,928,351,740	841,096,940	2,456,451,404	10,426,453,486	0.7046
2016	7,636,480,700	5,189,352,440	829,469,960	2,573,293,675	11,082,009,425	0.7046
2017	8,807,329,810	5,738,601,110	873,666,970	3,086,963,695	12,332,634,195	0.7046

Note: Total Taxable Assessed Value represents the original certified taxable value. It does not include valuation of protested property at certification date.

Source: City of Garland, Texas - Tax Office

**City of Garland
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	City Direct Rates			Overlapping Rates*										
	General Fund	Debt Service Fund	Total Direct	Garland Independent School District	Dallas County	Dallas County Hospital District	Dallas County Community College District	Dallas Independent School District	Dallas County Schools	Richardson Independent School District	Mesquite Independent School District	Collin County	Collin County Community College District	Plano Independent School District
2008	\$ 0.3890	\$ 0.2996	\$ 0.6886	\$ 1.2533	\$ 0.2281	\$ 0.2540	\$ 0.0804	\$ 1.5026	\$ -	\$ 1.3401	\$ 1.3767	\$ -	\$ -	\$ -
2009	0.3890	0.3106	0.6996	1.2533	0.2281	0.2540	0.0894	1.1834	-	1.3401	1.4000	-	-	-
2010	0.3890	0.3156	0.7046	1.2533	0.2281	0.2740	0.0949	1.2713	-	1.3401	1.4200	0.2425	0.0863	1.3284
2011	0.3940	0.3106	0.7046	1.2533	0.2431	0.2710	0.0992	1.2378	-	1.3401	1.4200	0.2400	0.0863	1.3534
2012	0.3940	0.3106	0.7046	1.2533	0.2531	0.2710	0.0997	1.2903	0.0100	1.3401	1.4200	0.2400	0.0863	1.3734
2013	0.3940	0.3106	0.7046	1.2533	0.2431	0.2710	0.1194	1.2903	0.0100	1.3401	1.4200	0.2400	0.0863	1.3734
2014	0.3940	0.3106	0.7046	1.2533	0.2431	0.2760	0.1247	1.2821	0.0100	1.3401	1.4200	0.2375	0.0836	1.4530
2015	0.3940	0.3106	0.7046	1.2533	0.2431	0.2860	0.1247	1.2821	0.0100	1.3400	1.4100	0.2350	0.0820	1.4480
2016	0.3940	0.3106	0.7046	1.2533	0.2431	0.2860	0.1247	1.2821	0.0100	1.3400	1.4100	0.2350	0.0820	1.4480
2017	0.3940	0.3106	0.7046	1.4600	0.2431	0.2794	0.1229	1.2821	0.0093	1.3901	1.4600	0.2084	0.0812	1.4390

Source: City of Garland, Texas - Tax Office

Note: The City's basic tax rate cannot exceed \$2.50 per \$100 assessed value.

* Overlapping rates are those of local and county governments that apply to property owners within the City of Garland. Not all overlapping rates apply to all City of Garland property owners; for example, although the county property tax rates apply to all city property owners, the Mesquite Independent School District rates apply only to property owners whose property is located within that district's geographic boundaries.

**City of Garland
Principal Property Tax Payers
Current Year and Ten Years Ago
(unaudited)**

Table 8

<u>Taxpayer</u>	<u>2017</u>			<u>2008</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>
Walmart/Sam's Club	\$ 114,392,060	1	0.92%	\$ 90,857,510	2	0.83%
Simon Property Group	107,300,780	2	0.87%	132,818,770	1	1.22%
WRPC XII Firewheel Garland LLC	70,842,090	3	0.57%	-	-	-
Plastipak Packaging	68,748,329	4	0.55%	65,169,734	3	0.60%
Kraft Foods, Inc	67,311,897	5	0.54%	55,316,531	5	0.51%
Sprint Spectrum	57,020,411	6	0.46%	-	-	-
BMEF Stoneleigh LP	49,783,000	7	0.40%	-	-	-
Omninet Town Center LP	46,000,000	8	0.37%	-	-	-
US Food Service Inc.	45,942,828	9	0.37%	-	-	-
Daisy Brand	41,563,772	10	0.34%	-	-	-
Valspar Engineered Polymer	-	-	-	59,742,723	4	0.55%
Verizon	-	-	-	52,925,200	6	0.49%
Sears Roebuck and Co.	-	-	-	51,830,097	7	0.48%
SST Truck Co LLC	-	-	-	42,535,560	8	0.39%
Longridge Residential	-	-	-	38,300,000	9	0.35%
Advenie @ Town Centre LLC	-	-	-	37,399,550	10	0.34%
	<u>\$ 668,905,167</u>		<u>5.39%</u>	<u>\$ 626,895,675</u>		<u>5.76%</u>

Source: City of Garland, Texas - Tax Office

City of Garland
Property Tax Levies and Collections
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collections within Fiscal Year of the Levy		Collections & Adjustments in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 74,759,668	\$ 73,764,627	98.67%	\$ 946,768	\$ 74,711,396	99.94%
2009	77,977,700	76,842,208	98.54%	1,075,780	77,917,987	99.92%
2010	75,678,090	74,800,032	98.84%	815,812	75,615,844	99.92%
2011	73,103,186	72,238,056	98.82%	800,300	73,038,356	99.91%
2012	71,301,935	70,589,967	99.00%	646,597	71,236,564	99.91%
2013	70,801,851	70,130,748	99.05%	537,030	70,667,778	99.81%
2014	71,071,583	70,536,234	99.25%	398,112	70,934,346	99.81%
2015	73,798,105	73,250,492	99.26%	364,284	73,614,776	99.75%
2016	78,610,052	78,025,905	99.26%	311,175	78,337,080	99.65%
2017	86,774,848	86,089,470	99.21%	-	86,089,470	99.21%

Source: City of Garland, Texas - Tax Office and Office of Finance

City of Garland
Ratios of Outstanding Debt by Year
Last Ten Fiscal Years
(unaudited)

Table 10

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GOVERNMENTAL ACTIVITIES										
<u>General Government</u>										
General Obligation Bonds	204,475,000	193,645,000	182,509,936	172,775,415	225,628,652	208,456,051	195,362,128	201,764,579	183,515,056	187,493,295
Certificates of Obligation	62,379,717	56,571,724	51,834,242	48,268,665	33,650,768	42,478,233	43,498,236	56,061,573	67,278,178	65,614,844
Other Obligations	-	-	-	124,145	95,342	65,098	33,343	-	-	-
Total	266,854,717	250,216,724	234,344,178	221,168,225	259,374,762	250,999,382	238,893,707	257,826,152	250,793,234	253,108,139
Percentage of Personal Income	4.95%	3.85%	3.59%	3.38%	5.17%	4.94%	4.67%	5.08%	4.67%	4.51%
Per Capita	1,180.02	1,107.82	1,032.74	971.20	1,137.31	1,083.68	1,024.39	1,099.32	1,063.20	1,068.93
<u>Internal Services</u>										
General Obligation Bonds	1,045,000	1,005,000	932,614	917,060	940,087	881,894	1,868,920	1,561,225	1,287,166	5,943,831
Certificates of Obligation	17,980,487	39,362,339	38,137,326	35,561,335	33,348,720	31,646,677	28,445,303	26,167,129	25,940,730	19,695,033
Total	19,025,487	40,367,339	39,069,940	36,478,395	34,288,807	32,528,571	30,314,223	27,728,354	27,227,896	25,638,864
Percentage of Personal Income	0.35%	0.62%	0.60%	0.56%	0.68%	0.64%	0.59%	0.55%	0.51%	0.46%
Per Capita	84.13	178.72	172.18	160.19	150.35	140.44	129.99	118.23	115.43	108.28
<u>Total Governmental Activities</u>										
General Obligation Bonds	\$ 205,520,000	\$ 194,650,000	\$ 183,442,550	\$ 173,692,475	\$ 226,568,739	\$ 209,337,945	\$ 197,231,048	\$ 203,325,804	\$ 184,802,222	\$ 193,437,126
Certificates of Obligation	80,360,204	95,934,063	89,971,568	83,830,000	66,999,488	74,124,910	71,943,539	82,228,702	93,218,908	85,309,877
Other Obligations	-	-	-	124,145	95,342	65,098	33,343	-	-	-
Total	285,880,204	290,584,063	273,414,118	257,646,620	293,663,569	283,527,953	269,207,930	285,554,506	278,021,130	278,747,003
Percentage of Personal Income	5.31%	4.47%	4.19%	3.93%	5.86%	5.57%	5.26%	5.62%	5.18%	4.97%
Per Capita	1,264	1,287	1,205	1,131	1,288	1,224	1,154	1,218	1,179	1,177
BUSINESS-TYPE ACTIVITIES										
Revenue Bonds	277,435,000	296,575,000	304,765,000	316,815,000	316,972,656	307,357,705	406,859,556	381,487,963	356,430,875	371,429,037
General Obligation Bonds	84,685,000	82,285,000	79,785,000	81,170,000	76,992,004	68,356,211	59,942,513	48,745,628	38,143,825	28,335,233
Certificates of Obligation	22,789,796	17,920,937	140,758,432	131,930,000	141,434,684	140,813,081	143,258,324	200,060,219	188,467,493	175,497,335
Commercial Paper	-	-	-	-	10,000,000	80,000,000	15,000,000	35,000,000	89,910,000	163,280,000
Other Obligations	-	-	-	-	179,335	-	-	-	-	-
Total	384,909,796	396,780,937	525,308,432	529,915,000	545,578,679	596,526,997	625,060,393	665,293,810	672,952,193	738,541,605
Percentage of Personal Income	7.14%	6.11%	8.05%	8.09%	10.89%	11.73%	12.21%	13.10%	12.54%	13.16%
Per Capita	1,702	1,757	2,315	2,327	2,392	2,575	2,680	2,837	2,853	3,119
Total Primary Government	670,790,000	687,365,000	798,722,550	787,561,620	839,242,248	880,054,950	894,268,323	950,848,316	950,973,323	1,017,288,608
Percentage of Personal Income	12.45%	10.58%	12.24%	12.02%	16.74%	17.30%	17.46%	18.72%	17.72%	18.13%
Per Capita	2,966	3,043	3,520	3,458	3,680	3,800	3,835	4,054	4,032	4,296

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics for personal income and population data.

City of Garland
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(unaudited)

Table 11

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>GOVERNMENTAL ACTIVITIES</u>										
<u>General Government</u>										
General Obligation Bonds	204,475,000	193,645,000	182,509,936	172,775,415	225,628,652	208,456,051	195,362,128	201,764,579	183,515,056	187,493,295
Certificates of Obligation	62,379,717	56,571,724	51,834,242	48,268,665	33,650,768	42,478,233	43,498,236	56,061,573	67,278,178	65,614,844
Less: Amount Available in Debt Service Fund	5,285,612	6,140,162	6,051,447	6,265,763	5,241,033	6,314,007	7,843,714	6,235,664	5,729,738	6,298,049
Total	261,569,105	244,076,562	228,292,731	214,778,317	254,038,387	244,620,277	231,016,650	251,590,488	245,063,496	246,810,090
Percentage of Estimated Actual Taxable Value of Property	2.40%	2.19%	2.13%	2.07%	2.51%	2.45%	2.30%	2.41%	2.21%	2.00%
Per Capita	1,156.65	1,080.63	1,006.07	943.14	1,113.91	1,056.14	990.61	1,072.73	1,038.91	1,042.33
<u>Internal Services</u>										
General Obligation Bonds	1,045,000	1,005,000	932,614	917,060	940,087	881,894	1,868,920	1,561,225	1,287,166	5,943,831
Certificates of Obligation	17,980,487	39,362,339	38,137,326	35,561,335	33,348,720	31,646,677	28,445,303	26,167,129	25,940,730	19,695,033
Less: Amount Available in Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Total	19,025,487	40,367,339	39,069,940	36,478,395	34,288,807	32,528,571	30,314,223	27,728,354	27,227,896	25,638,864
Percentage of Estimated Actual Taxable Value of Property	0.17%	0.36%	0.36%	0.35%	0.34%	0.33%	0.30%	0.27%	0.25%	0.21%
Per Capita	84.13	178.72	172.18	160.19	150.35	140.44	129.99	118.23	115.43	108.28
<u>Total Governmental Activities</u>										
General Obligation Bonds	\$ 205,520,000	\$ 194,650,000	\$ 183,442,550	\$ 173,692,475	\$ 226,568,739	\$ 209,337,945	\$ 197,231,048	\$ 203,325,804	\$ 184,802,222	\$ 193,437,126
Certificates of Obligation	80,360,204	95,934,063	89,971,568	83,830,000	66,999,488	74,124,910	71,943,539	82,228,702	93,218,908	85,309,877
Less: Amount Available in Debt Service Fund	5,285,612	6,140,162	6,051,447	6,265,763	5,241,033	6,314,007	7,843,714	6,235,664	5,729,738	6,298,049
Total	280,594,592	284,443,901	267,362,671	251,256,712	288,327,194	277,148,848	261,330,873	279,318,842	272,291,392	272,448,954
Percentage of Estimated Actual Taxable Value of Property	2.58%	2.56%	2.49%	2.43%	2.85%	2.78%	2.60%	2.68%	2.46%	2.21%
Per Capita	1,241	1,259	1,178	1,103	1,264	1,197	1,121	1,191	1,154	1,151
<u>BUSINESS-TYPE ACTIVITIES</u>										
General Obligation Bonds	84,685,000	82,285,000	79,785,000	81,170,000	76,992,004	68,356,211	59,942,513	48,745,628	38,143,825	28,335,233
Certificates of Obligation	22,789,796	17,920,937	140,758,432	131,930,000	141,434,684	140,813,081	143,258,324	200,060,219	188,467,493	175,497,335
Total	107,474,796	100,205,937	220,543,432	213,100,000	218,426,688	209,169,292	203,200,837	248,805,847	226,611,318	203,832,568
Percentage of Estimated Actual Taxable Value of Property	0.99%	0.90%	2.06%	2.06%	2.16%	2.10%	2.03%	2.39%	2.04%	1.65%
Per Capita	475	444	972	936	958	903	871	1,061	961	861
Total Primary Government	388,069,388	384,649,838	487,906,103	464,356,712	506,753,882	486,318,140	464,531,710	528,124,689	498,902,710	476,281,522
Percentage of Estimated Actual Taxable Value of Property	3.57%	3.46%	4.55%	4.49%	5.01%	4.88%	4.63%	5.07%	4.50%	3.86%
Per Capita	1,716	1,703	2,150	2,039	2,222	2,100	1,992	2,252	2,115	2,011

This report reflects changes made to the General Obligaion Debt column to properly report the total amount of general obligation debt outstanding each year.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

See the Schedule of Demographic and Economic Statistics for population data.

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
September 30, 2017
(unaudited)

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Garland Independent School District	\$ 564,701,425	70.65%	\$ 398,961,557
Collin County	352,380,000	0.02%	70,476
Collin County Community College District	16,910,000	0.02%	3,382
Dallas County	216,450,000	5.68%	12,294,360
Dallas County Community College District	266,580,000	5.68%	15,141,744
Dallas County Hospital District	718,480,000	5.68%	40,809,664
Dallas County Schools	44,745,000	5.68%	2,541,516
Dallas Independent School District	2,934,695,000	0.20%	5,869,390
Richardson Independent School District	408,794,992	3.24%	13,244,958
Plano Independent School District	923,705,000	0.06%	554,223
Mesquite Independent School District	490,699,333	1.70%	<u>8,341,889</u>
Subtotal, overlapping debt			497,833,158
City direct debt			<u>278,747,003</u>
Total estimated direct and overlapping debt			<u><u>\$ 776,580,161</u></u>

Sources: This statement was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Garland. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City's boundaries and dividing it by the government's total taxable assessed value.

City of Garland
Legal Debt Margin Information
September 30, 2017
(unaudited)

Table 13

As a home rule city, the City of Garland is not limited by the law in the amount of debt it may issue. The City's charter (section 9.1) states:

The Council shall have power to levy, for general purposes, an ad valorem tax on real, personal, and mixed property within the territory of the City of Garland, not exempt from taxation by the Constitution and laws of the State of Texas, based upon its true value as provided by law, to the extent of the constitutional limit permitted by the State of Texas to cities of over five thousand (5,000) population, and which said tax shall embrace all taxes for municipal purposes.

The City tax rate limitation is \$2.50 per \$100 assessed value. The tax rate for FY17 is \$.7046 per \$100.00 assessed value.

**City of Garland
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)**

Table 14

Fiscal Year	Electric Utility System Revenue Bonds						Water & Sewer Utility System Revenue Bonds					
	Gross Revenues (1)	Less: Operation & Maintenance Expenses (2)	Net Available Revenue (3)	Average Annual Debt Service (4)		Times Coverage (5)	Gross Revenues (1)	Less: Operation & Maintenance Expenses (2)	Net Available Revenue (3)	Average Annual Debt Service (4)		Times Coverage (5)
				Principal	Interest					Principal	Interest	
2008	\$ 278,688,019	\$ 238,988,738	\$ 39,699,281	\$ 4,756,190	\$ 2,240,833	5.67	\$ 67,608,735	\$ 40,565,444	\$ 27,043,291	\$ 8,877,750	\$ 4,052,695	2.09
2009	235,467,591	167,009,741	68,457,850	5,385,500	2,351,999	8.85	73,238,821	43,211,675	30,027,146	9,443,250	4,067,502	2.22
2010	233,400,529	166,466,197	66,934,332	5,399,211	2,207,117	8.80	81,396,091	46,002,329	35,393,762	10,109,000	4,243,081	2.47
2011	224,359,813	131,750,369	92,609,444	5,212,750	2,082,419	12.69	93,004,750	49,155,966	43,848,784	10,628,000	4,374,209	2.92
2012	225,093,999	133,939,385	91,154,614	5,095,000	1,887,700	13.05	89,386,493	52,500,437	36,886,056	10,441,750	3,965,662	2.56
2013	297,758,202	241,171,931	56,586,271	5,076,111	1,607,330	8.47	92,710,455	55,799,905	36,910,550	10,313,500	3,458,475	2.68
2014	378,621,613	312,954,736	65,666,877	8,526,750	3,792,817	5.33	94,387,130	58,667,658	35,719,472	10,453,000	3,553,678	2.55
2015	341,110,573	283,279,931	57,830,642	8,516,316	3,446,312	4.83	101,420,086	60,211,698	41,208,388	10,383,684	3,280,082	3.02
2016	281,736,385	215,335,038	66,401,347	8,501,667	3,238,345	5.66	108,715,199	64,324,054	44,391,145	10,266,667	3,001,013	3.35
2017	282,899,702	214,058,309	68,841,393	8,972,750	3,549,664	5.50	108,584,843	68,288,444	40,296,399	9,820,000	2,673,950	3.23

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

(1) Gross revenue includes all operating and non-operating revenues.

(2) Operations and maintenance expenses includes all reported operating expenses less depreciation, amortization of other assets, and the actuarial determined pension expense reflected under the salaries and benefits line item of the financial statements.

(3) Net available revenue represents gross revenues of the system less the operation and maintenance expenses incurred during the fiscal year.

(4) Average annual debt service for all outstanding prior lien revenue bonds and outstanding revenue bonds similarly secured.

(5) The Electric and Water & Sewer bond ordinances require that net available revenues of the systems be at least 1.25 times the average annual principle and interest requirements.

**City of Garland
Demographic and Economic Statistics
Last Ten Fiscal Years
(unaudited)**

Table 15

Fiscal Year	Population	Personal Income (000's)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2008	226,144	\$ 5,388,785	\$ 23,829	32.7	12.9	56,579	5.8%
2009	225,865	6,497,458	28,767	32.7	12.9	56,579	8.3%
2010	226,915	6,527,664	28,767	34.6	12.9	57,405	8.6%
2011	227,726	6,550,994	28,767	33.2	12.9	57,833	7.8%
2012	228,060	5,012,075	21,977	33.7	12.9	58,151	6.3%
2013	231,618	5,085,868	21,958	33.7	12.9	58,059	6.4%
2014	233,206	5,120,737	21,958	33.4	12.9	58,059	5.1%
2015	234,533	5,080,219	21,661	33.4	12.9	58,000	4.0%
2016	235,885	5,366,620	22,751	33.8	12.9	55,100	3.8%
2017	236,786	5,611,118	23,697	34.5	12.9	57,000	3.3%

Sources: City of Garland, Texas - Planning Department, U. S. Census, Garland Independent School District, Garland Chamber of Commerce, and Texas Employment Commission

**City of Garland
Principal Employers
Current Year and Ten Years Ago
(unaudited)**

Table 16

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Kraft Foods	650	1	0.54%	500	7	0.47%
US Food Service	520	2	0.43%	490	8	0.46%
Hatco (Risistol)	401	3	0.33%	-	-	-
L3 Communications	400	4	0.33%	-	-	-
Anderson Windows	400	5	0.33%	-	-	-
KARLEE, Inc	330	6	0.27%	-	-	-
Atlas Copco	300	7	0.25%	700	3	0.66%
Interceramic	300	8	0.25%	400	10	0.37%
Plastipak Packaging	269	9	0.22%	-	-	-
General Dynamics	250	10	0.21%	550	6	0.52%
Raytheon E-Systems	-	-	-	2,000	1	1.87%
Sears Industrial Park	-	-	-	1,300	2	1.22%
International/SST Truck	-	-	-	700	4	0.66%
Kingsley Tools (Danaher)	-	-	-	650	5	0.61%
Northrup Grumman	-	-	-	450	9	0.42%
	<u>3,820</u>		<u>0.93%</u>	<u>7,740</u>		<u>6.33%</u>

Sources: City of Garland, Texas - Tax Office & Texas Workforce Commission, Labor Market Information

City of Garland
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years
(unaudited)

Table 17

	Full-time Equivalent Employees as of December 31									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function										
General Government	297	284	282	350	344	348	351	356	362	370
Police										
Sworn (civil service)	328	324	323	323	323	323	323	323	334	337
Non-Sworn (non-civil service)	135	134	133	133	132	133	133	133	133	133
Fire										
Sworn (civil service)	255	251	249	249	255	255	255	254	254	254
Non-Sworn (non-civil service)	7	7	7	7	7	7	7	7	7	7
Culture and Recreation	162	152	151	157	158	159	159	160	160	160
Internal Services	255	252	251	254	252	252	252	252	253	254
Electric	256	252	252	238	238	249	251	251	251	251
Water	61	61	62	62	64	63	64	64	63	65
Sewer	101	100	99	99	97	97	97	99	100	102
Solid Waste	88	88	88	90	87	87	87	87	87	87
Stormwater Management	25	25	25	25	24	24	24	24	24	24
Golf	29	28	28	28	28	17	16	16	16	16
Special Revenue	117	113	115	44	44	42	41	39	41	42
Total FTE Employees	2,116	2,071	2,065	2,059	2,053	2,056	2,060	2,065	2,085	2,102

Source: City of Garland Budget Office

**City of Garland
Operating Indicators by Function
Last Ten Fiscal Years
(unaudited)**

Table 18

Function	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police										
Physical arrests	14,019	13,902	11,803	11,431	11,284	11,168	10,587	9,741	9,151	9,287
Citations issued	60,298	56,982	53,666	53,613	61,591	62,737	57,341	51,924	51,864	60,147
Fire										
Number of calls answered	20,464	19,770	20,047	20,670	21,146	21,924	21,349	22,036	23,058	24,312
Business Inspections	5,354	5,575	5,188	4,116	2,506	2,029	2,354	3,821	5,701	9,105
Highways and streets										
Street resurfacing (miles)	19	17	14	15	23	15	16	21	23	49
Service maintenance requests	1,538	1,463	1,794	1,550	1,719	2,099	1,963	2,573	2,485	2,041
Parks and recreation										
Performing arts center attendance	170,000	158,103	153,450	150,496	158,500	134,637	136,255	161,346	148,241	151,000
Recreation center attendance	813,000	970,966	722,462	1,004,064	1,104,143	1,199,720	1,307,212	1,367,403	1,455,784	1,248,000
Library										
Volumes, items, or physical units	433,938	436,783	409,378	409,378	337,728	346,108	342,826	363,784	361,733	361,277
Number of Library circulation transactions	1,438,442	1,736,304	1,857,317	1,783,536	1,549,358	1,569,059	1,524,365	1,516,250	1,398,209	1,290,241
Electric										
Number of accounts	67,899	67,956	68,001	68,034	68,396	69,126	69,262	69,491	69,533	69,929
Average daily usage (KWH)	5,640,434	5,381,022	5,614,012	5,707,569	5,370,791	5,270,163	5,450,915	5,470,273	5,272,563	5,170,775
Water										
New connections	519	188	9	20	103	196	36	177	281	132
Water main breaks	247	303	393	479	400	438	449	344	206	144
Average daily consumption (thousands of gallons)	28,537	32,716	32,041	34,812	29,498	30,058	26,503	26,624	27,315	27,769
Sewer										
Average daily sewage treatment (millions of gallons)	34	35	41	34	34	34	32	39	33	34

Sources: Various City departments

City of Garland
Capital Asset Statistics by Function
Last Ten Fiscal Years
(unaudited)

Table 19

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Fiscal Year</u> <u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	78	78	81	81	81	81	123	123	123	122
Fire Stations	11	11	11	11	11	11	11	11	11	11
Highways and streets										
Streets (miles)	690.77	690.77	697.05	697.00	697.00	700.00	700.00	700.00	700.00	702.78
Streetlights	11,376	15,107	13,662	14,068	14,062	14,104	14,060	13,798	14,364	14,418
Traffic signals	181	181	182	185	185	185	190	192	193	192
Parks and recreation										
Parks acreage	2,428	2,428	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880
Parks	68	68	63	63	63	63	63	63	63	63
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	35	35	35	35	35	35	35	35	35	35
Recreation centers	6	6	6	6	6	6	6	6	6	6
Electric										
Substations	23	23	23	23	23	23	28	28	29	31
Miles of service lines	2,140	2,140	1,012	1,073	1,082	1,090	1,174	1,179	1,190	1,195
Maximum resource capacity (MW)	576.8	574.1	408.0	408.0	408.0	528.0	530.0	530.0	530.0	530.0
Water										
Water mains (miles)	1,107	1,111	1,111	1,113	1,114	1,117	1,118	1,122	1,126	1,130
Fire Hydrants	7,391	7,442	7,456	8,244	8,271	8,305	8,325	8,365	8,411	8,465
Maximum daily capacity (millions of gallons)	230	227	221	221	221	221	225	225	225	225
Sewer										
Sanitary sewers (miles)	999	1,000	1,001	1,001	1,001	1,003	1,004	1,006	1,008	1,010
Maximum daily flow (MGD)	95	106	104	86	108	70	55	135	111	76
Maximum daily treatment capacity (millions of gallons)	64	64	64	64	64	64	64	64	64	64

Sources: Various City departments

**Texas Municipal Power Agency
Condensed Financial Information
September 30, 2017**

	Amount in (000's)
Total assets	\$ <u>407,095</u>
Total liabilities	362,208
Total net assets	<u>44,887</u>
Total liabilities and net assets	\$ <u>407,095</u>
Total operating revenues	\$ 277,155
Total operating expenses	<u>121,245</u>
Income from operations	155,910
Total other income(expenses)	2,922
Total interest charges	(11,188)
Deferred revenue	34,949
Deferred cost	74,603
Refunds to member Cities	<u>(36,291)</u>
Change in net assets	220,905
Impairment of Electric Plant	(208,412)
Net assets - beginning balance	<u>32,394</u>
Net assets - ending balance	\$ <u>44,887</u>

Source: TMPA Comprehensive Annual Financial Report

City of Garland
Schedule of Insurance in Force
September 30, 2017
(unaudited)

<u>Insurance Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Description</u>	<u>Deductible</u>	<u>Limits</u>
Evanston Insurance Company	SM919157	04/02/17	04/02/18	Medical Professional Liability	\$2,500	\$3,000,000
Great American Insurance Company	GVT40276130100	12/03/16	12/03/17	Crime Coverage	\$100,000	\$1,000,000
Great American Insurance Company	IMP523230109	10/15/16	10/15/17	Contractors Equip &Fleet Catastrophe	Varies	\$20,000,000
Lexington Insurance Company	21469073	10/01/16	10/01/17	Property Coverage	Varies	\$500,000,000
Nationwide Mutual Insurance Company	FWCO000002772800	10/15/16	10/15/17	General Liability-Special Events	\$0	\$5,000,000
Genesis Insurance Company	YXB301166A	10/01/16	10/01/17	Excess LiabilityPackage Policy	\$500,000	\$20,000,000
XL Insurance America	US00076653PR16A	10/01/16	10/01/17	Boiler/Machinery/Transformers	\$500,000	\$50,000,000
Colony Insurance Company	PXL16106501	10/01/16	10/01/17	Excess Workers Compensation	\$650,000	Statutory

Sources: *City of Garland Risk Management Department*